

Decision No. 1112

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of)
 Griffin's Transfer and Storage Com-)
 pany, a corporation, for an order) Application No. 767.
 authorizing the issue of stocks and)
 bonds.)

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Frank C. Prescott for applicant.

EDGERTON, Commissioner.

O P I N I O N

By an original application and a supplement thereto, we are asked to authorize Griffin's Transfer and Storage Company, to issue \$72,000 par value of capital stock and \$50,000 face value of bonds, divided into bonds of \$100 each with interest at 6 per cent per annum, principal payable September 1, 1933.

Applicant is a California corporation organized in May, 1913 with a capital stock of \$250,000, divided into shares of a par value of \$1.00 each.

Among the purposes for which this company was formed, as stated in its articles of incorporation, are the operation of automobile, truck, draying, trucking, baggage, transfer, delivery and other businesses which are not public utilities. But there is also the purpose stated of engaging in the warehouse business in connection with the forwarding of freight, baggage, etc., by common carriers.

Therefore, applicant is within the definition of warehousemen, laid down in the Public Utilities Act, and is subject to the terms of that act wherein it is required that no stocks or bonds may be issued by a public utility without the authorization of the Railroad Commission.

It is proposed to use \$60,000 par value of the stock for the purchase of the business of the Motor Transfer Company, a corporation, which business includes a lease on certain described property in Los Angeles; 4150 shares are to go to G. A. Griffin for certain land, and 8000 shares are to be purchased at par by employees of applicant, each of whom is to purchase 2000 shares, and to pay therefor in installments.

Under the rule adopted in the decision in Application No. 311, it is proper to permit the issuance of this stock, notwithstanding that the purposes for which it is to be issued do not fall within the terms of the Public Utilities Act.

The purposes for which the \$50,000 face value of bonds are to be issued are the purchase of two 2-ton trucks, three 4-ton trucks, two runabout automobiles, all to cost \$22,000; the acquisition of property and the construction, completion, extension and improvement of facilities, \$8,000; improvement and maintenance of service \$5,000. The last two items are the only ones which will have to do with the public utility functions of this company, but as the bonds are a lien upon all of the property of the company, I cannot escape the conclusion that we should take the same position with regard to all of these bonds, as we do with bonds issued solely upon public utility property, notwithstanding that a large part of the property which is to be acquired with the proceeds of these bonds will not be public utility property.

The item of \$22,000 for trucks and automobiles is a reasonable one, but the item of \$8,000 for completion, extension and improvement of facilities, and the item of \$5,000 for improvement and maintenance of service are so indefinitely stated and so entirely lack supporting detail as to make it impossible to determine whether or not they should be allowed.

Applicant asked to be allowed to sell these bonds at not less than 65 per cent of their face value, and it is evident that

the items set out were made to approximate the proceeds of the bonds to be sold on this basis. However, I think the bonds should not be sold for less than 80 per cent of their face value, which will produce \$7,500 more than applicant estimated.

It is clear from the evidence that if sold at 80 per cent of their face value and the proceeds thereof are invested in property which will be covered by the lien of those bonds, there will be a reasonable margin of property, produced through the issuance of the stock herein authorized, between the value of the total property and the face of bonds, in view of which I recommend that this application be granted, subject, however, to the filing by applicant with this Commission of a complete detailed statement and estimate of cost of the use to which the money derived from the sale of said bonds is to be put, other than the \$22,000 to be invested in trucks and automobiles.

I submit herewith the following form of order:

O R D E R

Application having been made by Griffin's Transfer and Storage Company for an order authorizing the issue of \$72,000 par value of the capital stock and \$50,000 face value of its bonds, and a public hearing having been held upon said application, and it appearing to the Commission that the purposes for which the proceeds of the issuance of said stock and bonds are to be used are not in whole or in part reasonably chargeable to operating expenses or to income, and it appearing further that said application should be granted with certain conditions attached,

IT IS HEREBY ORDERED by the Railroad Commission of the State of California that Griffin's Transfer and Storage Company is hereby authorized to issue \$72,000 par value of its common capital stock and \$50,000 face value of bonds, divided into bonds of the face value of \$100 each, with interest at 6 per cent per annum, principal payable September 1, 1933, upon the following conditions, not otherwise:

1. \$60,000 par value of the capital stock shall be issued in exchange for all of the business and assets of Griffin Motor Transfer Company, including a 99 year lease, good will, telephone numbers and all of the property of said Griffin Motor Transfer Company, for a more detailed description of which reference is hereby made to a copy of a trust deed on file herein.

2. 4150 shares of said capital stock shall be issued to G. A. Griffin for that certain real property described as follows:

"Lot Five (5) in Block Two (2) of the Industrial Tract No. 2, Subdivision of East 15.79 acres of the South 5 (chs) chains Government Lot 1 and N. 15.79 acres Gov. Lot 2 - Sec. 30, 1 S., 4 W., as per plat recorded in Book 17 of Maps page 40, Records of San Bernardino County, said property being situate in the said County of San Bernardino, State of California, saving and excepting therefrom rights of way for roads and ditches heretofore conveyed, valued at \$500.00, and

"The Southwest quarter of the Northeast quarter; the Northwest quarter of the Southeast quarter; the Northeast quarter of the Southwest quarter, all in Section eight (8) Township four (4) North, Range seventeen (17) West., S.B.M., situate in the County of Los Angeles, State of California, valued at \$5000.00 less a deed of trust in favor of John A. Pirtle, for \$1350.00 as hereinafter mentioned."

3. \$8,000 par value of said stock to be sold to the employees of applicant at par, and in installments.

4. The bonds herein authorized shall be issued under the terms of the trust deed, a copy of which is on file herein and said bonds shall be sold so as to net applicant not less than 80 per cent of face value/and the proceeds from the sale of said bonds shall be used as follows:

a- \$22,000 thereof shall be used for the purchase of two 2-ton trucks, three 4-ton trucks, two runabout automobiles as provided in a contract a copy of which is on file herein.

Provided, however, as a condition precedent to the effectiveness of this order and before any of the stock or bonds herein authorized shall be issued, applicant shall file with this Commission and obtain its approval of, a complete detailed statement and estimate of cost of the property to be acquired, the service and facilities to be produced or improved and for which the money, other than the \$22,000 for trucks and automobiles, which is realized from the sale of said bonds is to be used.

5. Said company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of said stock and said bonds hereby authorized to be issued, and on or before the 25th day of each month the company shall make a verified report to the Commission in accordance with the Commission's General Order No. 24, stating the sale or disposition of such stock and bonds during the preceding month, the terms and conditions of such sale or other disposition, the moneys realized therefrom and the use and application of such moneys.

6. The authority hereby given to issue bonds and stock shall apply only to bonds and stock issued by said company on or before the 1st day of July, 1914.

7. The payment of the fee prescribed in section 57 of the Public Utilities Act shall be a condition precedent to the effectiveness of this order in so far as concerns the issue of bonds.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 5th day of
December, 1913.

W. D. Loveland
Max Thelen
Edwin O. Edgerton

Commissioners.

Railroad Commission State of California
W. D. Loveland
DEC 11 1913
W. J. Matheson
BY: *W. J. Matheson*
Assistant Secretary.