

Decision No. 26719.

TRAINING

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
MARINE SERVICE CORPORATION) Application No. 19232
for permission to issue stock.)

T. C. McGettigan, for applicant.

BY THE COMMISSION:

O P I N I O N

In this application Marine Service Corporation asks the Railroad Commission for an order authorizing it to issue \$7,500.00 of common stock and \$7,500.00 of six per cent preferred stock, as follows:-

COMMON STOCK:

To complete agreement to acquire M.S.	
Harriet	\$2,500.00
To officers and employees for services rendered	<u>5,000.00</u>
Total.....	<u>\$7,500.00</u>

PREFERRED STOCK:

To liquidate obligations, to pay for improvements and to provide working capital.....	\$6,500.00
To complete payment for operating rights	<u>1,000.00</u>
Total.....	<u>\$7,500.00</u>

Marine Service Corporation was organized under the laws of the State of California on or about April 28, 1933.

At the outset the company's business consisted in the operation of vessels for the transportation of export and interstate

freight, by contract, on San Francisco Bay and its tributaries. On November 8, 1933, however, it acquired the operating rights then owned by San Rafael Freight and Transfer Company and commenced operating as a public utility under the jurisdiction of the Railroad Commission (Decision No. 26452, dated October 23, 1933, in Application No. 19133).

At the present time applicant is operating vessels between San Francisco, Sausalito, Belvedere, California City and San Rafael, and Marin Meadows; and auto trucks between San Francisco and San Rafael.

The application shows that Marine Service Corporation has an authorized capital stock of \$25,000.00 consisting of 2,500 shares of the par value of \$10.00 each, divided equally into common and preferred. The preferred stock carries cumulative dividends at the rate of six per cent per annum and participates with the common stock in any additional dividends after the payment on such common stock in any calendar year, of dividends at the rate of six per cent per annum.

Heretofore, prior to the time the company came under the jurisdiction of the Railroad Commission, it received from the Commissioner of Corporations a permit, dated May 16, 1933, authorizing it (1) to issue \$2,500.00 of preferred stock and \$2,500.00 of common stock in part payment for the M. S. Harriet, (2) to issue at par for cash \$2,500.00 of preferred stock, and (3) to issue \$5,000.00 of common stock to its officers and employees in payment for services. Of these amounts it appears that to date applicant has issued only the \$5,000.00 of preferred stock.

The motor ship referred to in the preceding paragraph is a wooden vessel, equipped with a 110 h.p. Diesel engine and with a gross tonnage of 32 tons, which now is used by applicant in its operations. It appears that it was purchased by applicant for \$10,100.00, of which \$2,500.00 was payable in common stock, \$2,500.00 in preferred stock,

and \$5,100.00 in serial six per cent notes.

In addition, the company has acquired three auto trucks, a lift truck and certain furniture and miscellaneous equipment. It reports the cost of its physical property at \$13,908.12.

The company's balance sheet as of December 1, 1933, is set forth in the application as follows:-

A S S E T S:

Physical properties	\$13,908.12
Cash	460.65
Accounts receivable	928.56
Operating rights	2,000.00

Total assets \$17,297.33

L I A B I L I T I E S:

Capital stock	\$ 5,000.00
Accounts payable	1,756.00
Notes payable	4,000.00
Contracts payable	100.00
Depreciation reserve	668.41
Surplus	5,772.92

Total liabilities..... \$17,297.33

It seems that the \$5,000.00 of outstanding stock includes the \$2,500.00 of preferred stock issued in part payment for the M. S. Harriet and the \$2,500.00 of preferred stock sold for cash. The \$5,100.00 of notes issued in part payment for the vessel had been reduced at the date of the balance sheet to \$4,000.00.

The credit balance of \$5,772.92 which is designated as "surplus" represents, so we are advised by counsel for applicant, the excess of the cost of the assets over the par value of the stock issued and the outstanding liabilities and reserves, rather than profits from operation. It appears that among other things there is represented in the amount the \$2,500.00 due on the purchase price of the vessel which is to be paid with a like amount of common stock.

The company now seeks from this Commission an order authorizing it to issue the \$7,500.00 of common stock originally included in the permit granted by the Commissioner of Corporations and to deliver \$2,500.00 thereof to complete the initial payment on the M.S. Harriet, thereby reducing the so-called surplus by that amount, and to deliver the remaining \$5,000.00 to its officers and employees for services rendered.

In addition, it also seeks to increase its outstanding preferred stock by the amount of \$7,500.00. It appears that of the preferred stock issue it desires to sell at par \$6,500.00 for the following purposes:-

To liquidate accounts payable incurred for materials, equipment and labor on improvements and betterments to properties, as shown in Schedule A-1.....	\$1,356.00
To pay for improvements consisting of sheds, wharves, piers, flooring, loading and unloading devices, etc., as shown in Schedule A-2.....	1,500.00
To provide working capital, as shown in Schedule A-3.....	<u>3,644.00</u>
Total.....	<u>\$6,500.00</u>

The remaining \$1,000.00 of preferred stock applicant proposes to issue in part payment for the operating rights it acquired from San Rafael Freight and Transfer Company. It appears that \$2,000.00 represents the cost to applicant, which, by agreement, was payable \$1,000.00 in cash and \$1,000.00 in stock. The application shows that when applicant acquired such operating rights, it originally agreed to pay \$1,000.00 in cash and to undertake and discharge existing claims against the predecessor company in the sum of \$8,500. However, the present proceeding shows that subsequently it effected

a settlement of such claims by offering and agreeing to deliver to the claimants thereof the \$1,000.00 of preferred stock. In this connection applicant alleges that it has made an effort to ascertain the original actual cost of the operating rights to San Rafael Freight and Transfer Company and that, based on its investigation, it is of the opinion that the sum of at least \$2,000.00 was expended in acquiring the rights and for organization and legal costs.

The facts presented by applicant and such as ^{we}were furnished by our investigation of applicant's affairs, do not warrant us to grant applicant's requests in toto. The order herein will authorize applicant to issue for the purposes stated in such order \$3,000.00 of preferred stock and \$5,500.00 of common stock. If hereafter it has need for additional funds, which should be obtained through the issue of stock, it may file a new application.

In passing on this application we desire to call to the company's attention the uniform system of accounts prescribed by the Commission for carriers by water and automotive carriers, and to place it upon notice that the Commission will expect it to keep a record of its transactions in accordance with such systems, so far as they are applicable.

ORDER

Marine Service Corporation having applied to the Railroad Commission for permission to issue \$15,000.00 of stock and the Commission being of the opinion that this is not a matter in which a public hearing is necessary, that the request to issue \$6,500.00 of stock should be dismissed without prejudice, and that the money, property or labor to be procured or paid for through the issue of \$8,500.00 of stock is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably

chargeable to operating expense or to income,

IT IS HEREBY ORDERED, that Marine Service Corporation be, and it hereby is, authorized to issue at par on or before June 30, 1934, not exceeding \$2,500.00 of its common capital stock in part payment for the M. S. Harriet.

IT IS HEREBY FURTHER ORDERED, that Marine Service Corporation be, and it hereby is, authorized to issue at par, on or before June 30, 1934, not exceeding \$3,000.00 of its preferred stock and not exceeding \$3,000.00 of its common stock for the following purposes:-

- (a) To liquidate outstanding indebtedness...\$1,356.00
- (b) To pay for improvements set forth in
the application 1,500.00
- (c) To provide working capital..... 2,144.00
- (d) To pay in part for operating rights,
organization and legal expenses.....1,000.00

IT IS HEREBY FURTHER ORDERED, that the application insofar as it involves the remaining \$6,500.00 of stock be, and it hereby is, dismissed without prejudice.

The authority herein granted is subject to the following conditions:-

1. Applicant shall keep such record of the issue of the stock herein authorized and of the disposition of the proceeds, as will enable it to file, on or before the 25th day of each month, a verified report, as required by the Railroad Commission's General Order No. 24, which order, insofar as applicable, is made a part of this order.
2. Applicant shall file with the Commission a copy of the journal entries used to record on its books the issue of the stock

herein authorized.

3. The authority herein granted to issue stock will become effective upon the date hereof. In other respects the order will become effective twenty(20) days from the date hereof.

DATED at San Francisco, California, this 15th day of January, 1934.

Ch. Deane
Leon White
W. A. ...
M. B. ...
Alfred ...

Commissioners.