

Decision No. 33372

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
HAMMOND SHIPPING CO., LTD.,
a corporation, for an order author-
izing it to issue 5900 shares of stock
without par value.

Application No. 23404

McCutchen, Olney, Mannon & Greene, by Henry D.
Costigan and Owen Jameson, for applicant.

BY THE COMMISSION:

O P I N I O N

This is an application by Hammond Shipping Co., Ltd. for an order of the Railroad Commission authorizing it to issue to Hammond Lumber Company, 5900 shares of its stock without par value.

Hammond Shipping Co., Ltd. is a corporation organized on or about May 11, 1931, under the laws of the State of California. For several years it has been, and now is, engaged in operating vessels primarily for the transportation of lumber, for compensation, between Columbia River and Puget Sound ports and Southern California and between Humboldt Bay and ports in California. As of March 31, 1940, its assets and liabilities may be stated as follows:

ASSETS

Property and equipment		\$415,731.93
Current and other assets:		
Cash	\$ 62,407.17	
Accounts receivable - Net	59,865.76	
Captains' and employees' accounts	12,082.40	
Special deposits	2,625.00	
Insurance claims	3,269.25	
Materials and supplies	4,172.59	
Prepaid expenses	<u>37,035.35</u>	<u>181,457.52</u>
Total		<u>\$597,189.45</u>

LIABILITIES

Capital Stock		\$ 1,000.00
Due to Hammond Lumber Company:		
Notes payable	\$538,401.23	
Accounts payable	<u>52,158.46</u>	590,559.69
Current and other liabilities:		
Accounts payable	46,417.52	
Accrued taxes	7,924.66	
Uncompleted voyages	<u>38,157.54</u>	92,499.72
Reserves:		
Depreciation reserve	51,101.41	
Other reserves	<u>18,475.71</u>	69,577.12
Deficit		<u>156,447.08</u>
Total		<u>\$597,189.45</u>

The company was organized with an authorized capital stock of 100 shares of the par value of \$100 each, of which 10 shares of the aggregate par value of \$1,000, heretofore have been issued to, and are held by, Hammond Lumber Company. Recently applicant has taken steps to amend its Articles of Incorporation so as to provide for an authorized capital stock of 6,000 shares, without par value. It proposes at this time to issue 10 shares of stock without par value in exchange for the 10 shares of the par value of \$100 each, now outstanding, and to issue 5890 shares for a price of \$100 a share in payment of notes and accounts payable of \$589,000 due Hammond Lumber

Company as follows:

Notes:

Dated Feb. 1, 1939, due Dec. 31, 1939, 4 $\frac{1}{2}$ % interest	\$395,387.64
Dated Dec. 31, 1938, due Dec. 30, 1939, 4 $\frac{1}{2}$ % interest	<u>143,013.59</u>
Subtotal	\$538,401.23
Accounts payable	<u>50,598.77</u>
Total	<u>\$589,000.00</u>

The record shows that the note for \$395,387.64 was issued in payment for five steel steam vessels and one wooden steam vessel, while the note for \$143,013.59 and the accounts payable of \$50,598.77 represent amounts advanced from time to time by Hammond Lumber Company to applicant and by it used for the purchase of property consisting of dock equipment and furniture, fixtures and improvements for working capital and, in part, for operating losses.

However, it was developed at the hearing held on the application, that the company was making arrangements for the sale, for cash, at a net figure of about \$202,100.00, of the SS Eureka, which, as of March 31, 1940, was carried on its books at a net ledger figure of \$58,161.94. It was estimated that a tax liability of \$32,000 would be incurred in the transaction, leaving a net profit accruing to the corporation of approximately \$111,000 which will be credited against the accumulated deficit. Since the hearing the Commission has been advised that the company has received authority from the United States Maritime Commission to transfer said vessel and that the transaction will be completed forthwith. The profit to be realized will, it appears, be used in the purchase of additional property, if that becomes necessary, or to provide working capital or pay indebtedness.

Taking into consideration the improvement in the company's financial position as a result of this additional profit, it

appears that the capital and working assets will be sufficient to warrant the issue of stock as requested.

O R D E R

Hammond Shipping Co., Ltd. having applied to the Railroad Commission for permission to issue 5900 shares of its capital stock without par value, a public hearing having been held before Examiner Fankhauser and the Commission being of the opinion that the money, property or labor to be procured or paid for through the issue of the stock is reasonably required for the purposes specified herein, and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that Hammond Shipping Co., Ltd. be, and it hereby is, authorized to issue, after the effective date hereof and prior to August 31, 1940, not exceeding 5900 shares of its capital stock without par value, and to deliver 10 shares thereof in exchange, at share for share, for 10 shares of stock now outstanding of the par value of \$100 each, and to issue 5890 shares, at a price of \$100 a share, in payment of indebtedness due Hammond Lumber Company and in reimbursement of its treasury for moneys invested in its assets and working capital.

IT IS HEREBY FURTHER ORDERED that the authority herein granted will become effective when Hammond Shipping Co., Ltd. has filed with the Commission a copy of each journal entry which it will enter on its books to record the sale of the SS Eureka.

IT IS HEREBY FURTHER ORDERED that Hammond Shipping Co., Ltd. shall file with the Commission within thirty (30) days after the issue of the stock herein authorized a report, as required by the Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

Dated at San Francisco, California, this 6th day of May, 1940.

Ray L. Rice
Francis W. Miller
Ralph W. Anderson
H. Baker
Justice J. Casper
Commissioners.