

ORIGINAL 439

Decision No. 41201

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of	)	
	:	
INLAND WAREHOUSE AND TRUCKING	)	
COMPANY	:	Application
a corporation	)	No. 28987
	:	
for an Order Authorizing the Issuance	)	
of its Common Stock.	:	
-----	)	

R. Bruce Findlay, for applicant; J. J. Geizer,  
in propria persona, protestant.

## O P I N I O N

In this application, Inland Warehouse and Trucking Company asks permission to issue and sell 100 shares of its capital stock at \$100 per share and use the proceeds for working capital.

Inland Warehouse and Trucking Company is engaged in the business of maintaining and operating public warehouses in San Bernardino and Riverside, California, and in a trucking business in connection with and incidental thereto. Applicant, as of December 31, 1947, reports assets and liabilities as follows:

Assets

Plant and equipment		\$76,948.29
Land	\$ 4,041.58	
Warehouse trucks, equipment & furniture	79,195.97	
Less-Reserve for depreciation	6,289.26	
Current assets		7,017.46
Cash	1,498.14	
Accounts receivable	2,375.47	
Merchandise and supplies	481.02	
Prepaid rent	594.00	
Prepaid insurance	2,068.83	
Other assets		5,552.16
Organization expense	447.16	
Deposit on Riverside lease	5,000.00	
Miscellaneous	105.00	
Total assets		<u>\$89,517.91</u>

Liabilities

Secured notes and contracts payable	\$40,429.69
Unsecured notes and contracts payable	24,672.50
Accounts payable	5,456.45
Accrued salaries, insurance and interest	1,444.11
Accrued taxes	2,979.82
Lease deposits	642.50
Capital stock	7,500.00
Earned surplus	<u>6,392.84</u>
Total liabilities	<u>\$89,517.91</u>

For the three months ending December 31, 1947, applicant reports operating revenues of \$24,751.13 and net income of \$1,515.37. For the twelve months ending September 30, 1947, applicant's operating revenues amounted to \$94,158.48, and its net income to \$4,182.52.

Inland Warehouse and Trucking Company was organized under the laws of California on or about October 4, 1945, by Paul C. Groce, John J. Geiger and Earl S. Webb, all of San Bernardino. Prior to that date, said parties met and agreed to form themselves into a temporary partnership to engage in business under the name of Inland Warehouse and Trucking Company. It was agreed that each partner would contribute \$2,500 in cash or property. Earl S. Webb contributed \$2,500 in cash, Paul C. Groce \$1,633.45 in cash and trucking and other equipment valued at \$866.55, and John J. Geiger real property of the reasonable value of \$2,500 located at 120 South G Street in the industrial district of San Bernardino. The partnership took steps to construct a reinforced concrete warehouse building on the properties. The building was completed by the corporation on or about May 1, 1946, at an approximate cost of \$63,200. To pay the cost of the building, the corporation borrowed \$45,000 from the Bank of America National Trust and Savings

Association and the remainder from other parties. Further expenditures were incurred to surface or pave the area surrounding the building. Earl S. Webb advanced to the corporation some \$2,000 for that purpose. He loaned to the corporation \$11,000 to cover an overdraft at the bank resulting from certain transactions by Paul C. Groce, the corporation's manager. The propriety of the transactions was questioned by both Mr. Webb and Mr. Geiger. On October 1, 1946, Valah D. Webb, wife of Earl S. Webb, purchased for \$6,500 the interest of Mr. Groce in and to the business and assets of Inland Warehouse and Trucking Company.

The company now has \$7,500 of stock outstanding, the ownership of which is distributed as follows:

Earl S. Webb	\$2,500
Valah S. Webb	2,500
John J. Geiger	2,500

As said, the corporation asks permission to issue 100 shares of stock at \$100 a share and use the proceeds for working capital. The granting of this application is opposed by John J. Geiger. He alleges in a filed statement, among other things, that the stock of the corporation is worthless, that the real property he contributed to the enterprise has a value of \$32,250, that Mr. Webb is responsible for the removal of some of the tenants of the warehouse with a resultant loss to the corporation, that Mr. Webb as manager receives a salary of \$310 a month, which is excessive, and that the issue of the stock would dilute his interest in the corporation. Unfortunately, Mr. Geiger because of his health, could not participate in the hearing.

The application as originally filed indicated that the stock would be sold to the public generally. At the hearing it

was amended to the effect that the 100 shares of stock would be offered to the corporation's stockholders. The testimony shows that at one time applicant contemplated the issue of 250 shares of stock. The number was reduced to make it easier for Mr.

Geiger to maintain his proportionate interest in the corporation. As to the removal of tenants from the warehouse building, the record clearly shows that such removal was in the interest of the corporation and that its revenues were increased thereby; that the advances and loans made by Mr. Webb have enabled the corporation to pay its debts as they became due and that it was through his attention to the business of the corporation that its earnings have increased. While Mr. Webb does not devote all his time to applicant's affairs, he is active in its management. For more than a year he received no compensation. The testimony does not warrant a finding that his present compensation is excessive.

The record in this case shows beyond a doubt that the corporation has need for the \$10,000 which it hopes to receive through the issue of the stock to pay indebtedness and to maintain and conduct its business. The stock issue is not proposed for the purpose of diluting Mr. Geiger's interest in the corporation. He will be given the opportunity to acquire his pro rata of the 100 shares.

#### O R D E R

A public hearing having been held on the above entitled application before Examiner Farkhauser and the Commission having considered the evidence submitted at such hearing and it being of

the opinion that the money, property or labor to be procured or paid for by the issue of 100 shares of stock by Inland Warehouse and Trucking Company is reasonably required by said company for the purposes herein stated, that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED as follows:

1. Inland Warehouse and Trucking Company may, after the effective date hereof and on or before June 30, 1948, issue and sell, at not less than \$100 per share, 100 shares of its capital stock and use the proceeds to pay indebtedness or to maintain and conduct its business, provided said shares of stock are offered to applicant's stockholders on a pro rata basis.

2. Inland Warehouse and Trucking Company shall file with the Commission within thirty (30) days after the issue and sale of said shares of stock, or any part thereof, a copy of the offer of the stock to its stockholders with a statement showing the number of shares subscribed, the amount paid therefor, and the purpose or purposes for which the company has or will use the proceeds from the issue of the stock.

3. The authority herein granted is effective twenty (20) days after the date hereof.

Dated at San Francisco, California, this 10<sup>th</sup> day  
of February, 1948.

R. T. Dwyer

Justin J. Craver

Frank Russell

Harold P. Kula

Herbert Patten  
Commissioners