

ORIGINAL

Decision No. 43432

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
ASSOCIATED FREIGHT LINES, a corpora- )  
tion, for an order authorizing )  
applicant (1) to issue stock, and )  
(2) to incur indebtedness and encum- )  
ber public utility property. )  
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Application  
No. 30679

O P I N I O N

In this application, Associated Freight Lines asks permission to issue, for the purposes hereafter stated, not exceeding \$100,000 par value of its capital stock and \$67,795.36 principal amount of notes and equipment obligations.

Associated Freight Lines is a corporation organized and existing under and by virtue of the laws of the State of California. It has an authorized capital stock issue of 1,500 shares of the par value of \$100 each and of the aggregate par value of \$150,000. J. A. Clark Draying Company, Ltd., San Francisco Warehouse Company, and Edgar S. Stanley, doing business as Star Truck and Warehouse Company, or persons connected with the same, caused applicant to be organized. The Commission by Decision No. 43003, dated June 14, 1949, in Application No. 24057, granted to applicant a certificate of public convenience and necessity authorizing it to operate as a highway common carrier, subject to the restrictions set forth in said decision.

Applicant is not now engaged in business. To place itself in a position to conduct a highway common carrier transportation business, applicant is proceeding with the purchase of

necessary equipment and with plans to provide itself with capital required to conduct such business. It proposes to purchase immediately the following equipment:

- (1) 4 new Peterbilt 2-axle tractors, Model No. 280, for a total purchase price of \$44,095.68;
- (2) 10 new Fruehauf 21' semi-trailers, Model CFFA-5-21-T, with van bodies, for a total purchase price of \$29,137.80; and
- (3) 4 new Fruehauf converter dollies, Model DA-5, for a total purchase price of \$5,657.56.

In connection with the purchase of the above-mentioned tractors, applicant proposes to borrow \$33,000 from the Crocker First National Bank of San Francisco, repayable in 36 equal monthly installments with interest at the rate of 5% per annum, payable monthly, on the balance outstanding. Applicant asks permission to issue its note to represent such loan, and to execute a chattel mortgage which will be a lien on said tractors to secure the payment of the note. A copy of the note and chattel mortgage are on file in this application as Exhibit "A".

In connection with the purchase of the 10 new Fruehauf semi-trailers and 4 converter dollies at a total cost of \$34,795.36, applicant proposes to make a down payment of \$6,959.07 and to pay the remaining balance of \$27,836.29 in 60 equal monthly installments with interest at the rate of 5% per annum, payable monthly, on the balance outstanding. To represent this indebtedness to the Fruehauf Trailer Company, applicant asks permission to execute a conditional sale contract similar in form to the contract on file in this application as Exhibit "B".

Applicant is of the opinion that in the near future it will have to acquire 2 additional tractors, 5 additional semi-trailers,

2 additional converter dollies and possibly 3 pickup and delivery trucks. It estimates that its office furniture, fixtures and stationery supplies will cost approximately \$5,000, and that it should have at hand working capital of not less than \$25,000. The working capital will be used to prepay insurance, to acquire spare tires, to pay license fees, to carry accounts receivable and for other operating purposes.

To summarize, applicant's estimated capital costs are as follows:

<u>Item</u>	<u>Cost</u>
6 line haul tractors	\$66,000
15 semi-trailers	45,000
6 converter dollies	9,000
3 pickup and delivery trucks	10,000
Office furniture, fixtures, supplies and miscellaneous equipment	5,000
Working capital	<u>25,000</u>
Total	<u>\$160,000</u>

Through the issue of the note and execution of the conditional sale contract, applicant will finance \$60,836.29 of the purchase price of said equipment. To raise the balance of the money required by it, applicant asks permission to issue from time to time when needed, \$100,000 of its capital stock. The stock would be sold to the following:

<u>Purchaser</u>	<u>Proportion</u>
Edgar S. Stanley, doing business as Star Truck and Warehouse Company	one-third
O. H. Scott, of J. A. Clark Draying Company, Ltd.	one-sixth
J. A. Clark, Jr., of J. A. Clark Draying Company, Ltd.	one-sixth
San Francisco Warehouse Company	one-ninth

(Continued)

<u>Purchaser</u>	<u>Proportion</u>
Henry F. Hiller, of San Francisco Warehouse Company	one-ninth
Lloyd Swayne, of San Francisco Warehouse Company	one-ninth

The several parties intend to acquire the stock when applicant has need for funds, and to hold such stock as an investment.

### O R D E R

The Commission has considered this application and is of the opinion that a hearing thereon is not necessary, that the money, property or labor to be procured or paid for by the issue of the stock and the execution of the note, chattel mortgage and conditional sale contract herein authorized is reasonably required by Associated Freight Lines for the purposes herein stated, which 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. Associated Freight Lines may issue and sell, at not less than their par value, after the effective date hereof and on or before June 30, 1950, 1,000 shares of its capital stock, and use the proceeds for the purposes set forth in the foregoing opinion.
2. Associated Freight Lines may issue, after the effective date hereof and on or before December 31, 1949, to Crocker First National Bank of San Francisco, for the purpose of financing in part

the purchase of four line haul tractors, its note for the sum of \$33,000, payable in 36 equal monthly installments with interest at the rate of 5% per annum, payable monthly, on deferred payments, and to execute a chattel mortgage to secure the payment of said note, said note and said chattel mortgage to be in, or substantially in, the form of the note and mortgage on file in this application as Exhibit "A".

3. Associated Freight Lines may execute, after the effective date hereof and on or before December 31, 1949, to Fruehauf Trailer Company, a conditional sale contract to cover the purchase of the 10 new semi-trailers and 4 new converter dollies referred to in the foregoing opinion, the balance due, to wit, \$27,836.29, under such contract, to be payable in 60 equal monthly installments with interest at the rate of 5% per annum on the deferred payments, said conditional sale contract to be in, or substantially in, the same form as the conditional sale contract on file in this application as Exhibit "B".

4. San Francisco Warehouse Company may acquire one-ninth of the stock which Associated Freight Lines is herein authorized to issue and sell.

5. The authority herein granted will become effective when Associated Freight Lines has paid the fee prescribed by Section 57 of the Public Utilities Act.

6. Associated Freight Lines shall file with the Commission reports required by the Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order. It shall also file with the Commission within thirty (30) days after

the issue of said note and the execution of said conditional sale contract, a copy of the note, a copy of the chattel mortgage and a copy of the conditional sale contract executed under the authority herein granted.

Dated at San Francisco, California, this 25<sup>th</sup> day of October, 1949.

R. J. [Signature]  
James J. Calver  
Charles F. [Signature]  
Harold F. Kula  
[Signature] (Potter)  
Commissioners

