

Decision No. 22979

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
COAST TRUCK LINE)
for an order authorizing the issu-)
ance of 486-1/2 shares of its capital)
stock.)

ORIGINAL

Application No. 16813

H. J. Bischoff for applicant.

BY THE COMMISSION:

O P I N I O N

In this proceeding Coast Truck Line, a corporation, asks permission to issue at par \$48,650.00 par value of its capital stock, consisting of \$25,000.00 of eight percent cumulative preferred stock and \$23,650.00 of common stock. It intends to deliver \$18,000.00 of the preferred stock to G. W. Hanchett in payment of a like amount of indebtedness and to distribute the remaining \$7,000.00 of preferred stock and the \$23,650.00 of common stock to its stockholders as a stock dividend.

Coast Truck Line has an authorized capital stock issue of \$75,000.00, divided into 750 shares of the par value of \$100.00 each, consisting of \$50,000.00 of common and \$25,000.00 of eight percent preferred stock. At the present time applicant has outstanding \$26,350.00 of common stock.

Heretofore by Decision No. 13350, dated March 29, 1924, the Commission authorized applicant to issue \$25,000.00 of its eight percent preferred stock mainly for additional equipment and to

provide itself with working capital. Following this decision, applicant's management concluded to lease rather than to purchase equipment with the result that none of the \$25,000.00 of stock was issued. From time to time as applicant needed funds in excess of those which it had available from its operations, it borrowed money and issued its demand notes and executed equipment purchase contracts.

In Exhibit No. 1, applicant reports its assets and liabilities as follows:

ASSETS

Equipment, land, tires, furniture and fixtures.....	\$133,684.81
Less-accrued depreciation.....	84,145.44
Net.....	49,539.37
Cash in bank.....	12,451.36
Due from Motor Service Express.....	39,649.01
Notes receivable.....	1,400.00
Accounts receivable.....	14,098.79
Prepayments and materials and supplies.....	3,458.91
Other investments.....	8,427.00
Total Assets.....	\$129,024.44

LIABILITIES

Capital stock and premium.....	\$ 27,700.88
Due stockholders.....	18,128.00
Due on equipment contracts.....	14,594.10
Other accounts payable.....	10,423.32
Tax reserve.....	15,698.24
Surplus.....	42,419.90
Total Liabilities.....	\$129,024.44

The company's trial balance as of August 31, 1930 shows a surplus of \$5,740.39. The reported surplus is built up to \$42,419.90 by transferring and considering as part of surplus the following items:

Tax liability.....	\$ 7,804.77
Income tax reserve.....	2,529.80
Tire reserve.....	4,448.92
Net earnings for 8 months.....	21,546.02
Income on exchange of equipment	350.00

The record does not show conclusively that it is

proper to transfer to surplus the tax liability, income tax reserve and tire reserve. We therefore believe that the amount of preferred stock which the applicant should be permitted to issue should be limited to \$18,000.00, and the common stock which may be issued to reimburse applicant's treasury of \$23,650.00.

ORDER

Coast Truck Line having asked permission to issue \$48,650.00 par value of its capital stock, a public hearing having been held before Examiner Fankhauser and the Commission being of the opinion that applicant should be permitted to issue \$41,650.00 of capital stock, that the money, property or labor to be procured or paid for by the issue of such stock is reasonably required for the purposes herein stated, that the expenditures for such purposes are not, in whole or in part, reasonably chargeable to operating expense or to income and that this application insofar as it involves the issue of \$7,000.00 of preferred stock should be dismissed without prejudice, therefore,

IT IS HEREBY ORDERED as follows:

(1) Coast Truck Line may, on or before December 15, 1930, issue and sell at not less than par \$18,000.00 par value of its eight percent cumulative preferred stock and use the proceeds obtained from the issue of such stock, or use such stock on a par basis, to pay \$18,000.00 of indebtedness due G. W. Hanchett.

(2) Coast Truck Line may, on or before December 15, 1930, issue at not less than par not exceeding \$23,650.00 of its common stock to reimburse its treasury on account of income invested in its properties. Upon the issue of such stock, the same may be distributed,

as permitted by law, as a stock dividend.

(3) This application insofar as it involves the issue of \$7,000.00 of preferred stock is hereby dismissed without prejudice.

(4) Applicant shall keep such record of the issue, sale and delivery 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.

(5) The authority herein granted will become effective upon the date hereof.

DATED at San Francisco, California, this 20th day of October, 1930.

Chas. J. Camp

Leon A. Whiteley
Thos. J. Lantieri

Commissioners.