

LBM

Decision No. 28878

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of }  
BEKINS VAN LINES, INC., }  
for an order authorizing the sale }  
and issuance of 200 shares of stock }  
of the par value of \$100. each, and }  
the issuance of 313 shares of stock }  
as a stock dividend. }

Application No. 20576

Harold E. Thomas, for applicant.

BY THE COMMISSION:

OPINION

**ORIGINAL**

Bekins Van Lines, Inc. has applied to the Railroad Commission for permission to issue and sell at par 200 shares of its common capital stock of the aggregate par value of \$20,000., for the purpose of financing the cost of equipment and of liquidating accounts payable, and to issue 313 shares of its common capital stock of the aggregate par value of \$31,300. for the purpose of paying a stock dividend to its present stockholders.

It appears that Bekins Van Lines, Inc. was organized under the laws of the State of California on or about November 1, 1924. Information on file with the Commission indicates that since that date the company has been engaged in transporting property, primarily household goods, by auto trucks between various points in California and, since July 31, 1931, in operating public warehouses in San Francisco, Los Angeles and other cities in this state.

The corporation has an authorized capital stock of \$100,000. divided into 1,000 shares of the par value of \$100. each, all common, of which heretofore, pursuant to permission granted by the Commission, it has issued \$48,700. par value in payment for auto truck properties. The outstanding stock is reported held by Bekins Van and Storage Company, a nonutility corporation.

As of April 30, 1936 applicant's assets and liabilities are as follows:-

A S S E T S

Plant and equipment:		
Land . . . . .	\$ 69,300.00	
Buildings . . . . .	48,949.26	
Machinery, Tools, etc. . . . .	1,495.93	
Revenue freight cars . . . . .	<u>94,200.20</u>	\$ 213,945.39
Other property-Land and buildings		11,116.69
Cash . . . . .		1,323.08
Prepayments . . . . .		<u>1,892.33</u>
Total assets . . . . .		<u>\$ 228,277.49</u>

L I A B I L I T I E S

Capital stock . . . . .		\$ 48,700.00
Accounts payable:		
Bekins Van and Storage Co. . . . .	\$ 24,070.26	
Others . . . . .	<u>4,056.44</u>	28,126.70
Reserve for unemployment insurance		97.87
Reserve for depreciation . . . . .		83,637.99
Surplus . . . . .		<u>67,714.93</u>
Total liabilities.....		<u>\$ 228,277.49</u>

An examination of the company's reports and records indicates that its business has been increasing rapidly. For the year 1934 it reports gross revenue from transportation operations at \$123,872.29 and from warehouse operations at \$76,486.15, and for the year 1935 gross revenue from transportation operations at \$170,241.95 and from warehouse operations at \$80,239.24. For the first four months of 1936 it shows total gross revenue of \$60,514.85 as compared with \$46,209.62 for the corresponding period in 1935.

The company leases the properties it uses in its warehouse operations from Bekins Van and Storage Company. It has invested from time to time up to April 30, 1936, according to the foregoing balance sheet, the sum of \$213,945.39 in properties used in its transportation business. In this connection it appears that it has issued no capital stock, since the original issue of \$48,700. at the inception of its activities, and has incurred no long term debt, but has financed its capital requirements with surplus earnings and money

represented by its reserve for depreciation or borrowed on open account from the holder of its outstanding stock. The records of the company show that at the close of 1935 it owned ten vans, four tractors, nine trailers, eleven semi-trailers and three two-wheeled dollies, a total of thirty-seven units of equipment, and that during the first four months of 1936, to take care of its increasing business, it purchased at a cost of \$19,487.41, two GMC tractors, one Diesel tractor, seven semi-trailers and one dolly.

The application indicates that the company in order to finance permanently a part of the cost of its equipment and to liquidate accounts payable, now desires to issue an additional \$20,000. of stock at par to its parent company, Bekins Van and Storage Company. This proposal does not seem unreasonable and the request accordingly will be granted in the order following this opinion.

In considering the company's request to issue, in addition, \$31,300. par value of stock as a dividend, it appears upon analysis that the company in the course of its operations has enjoyed total surplus earnings of \$67,714.93, after paying operating expenses and other charges and after creating a reserve for depreciation amounting to \$33,637.99 on April 30, 1936. These surplus earnings clearly have been retained by the company in its business and have been invested in plant, equipment and other assets so that the proposed \$31,300. stock issue seems warranted. The order in this matter accordingly will authorize the company to issue the stock to reimburse its treasury because of the earnings thus invested. After such reimbursement the stock so issued may be distributed by the utility to its stockholders and the amount thereof charged against the corporate surplus.

At the conclusion of the transactions referred to in this proceeding the company will have outstanding \$100,000. par value of its capital stock. Upon a review of the company's records and past operating experience it would appear that its assets and earnings should be ample to support a stock issue of this amount.

O R D E R

Bekins Van Lines, Inc. having applied to the Railroad Commission for permission to issue \$51,300. par value of its common capital stock, and the Commission being of the opinion that this is not a matter in which a public hearing is necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for through the issue of 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 expense or to income,

IT IS HEREBY ORDERED that Bekins Van Lines, Inc. be, and it hereby is, authorized to issue at par, on or before September 30, 1936, not exceeding \$31,300. par value of its common capital stock for the purpose of reimbursing its treasury because of surplus earnings invested in properties and assets, and after such reimbursement, to distribute said stock, as permitted by law, to its present stockholders as a dividend.

IT IS HEREBY FURTHER ORDERED that Bekins Van Lines, Inc. be, and it hereby is, authorized to issue and sell, at par, to Bekins Van and Storage Company on or before September 30, 1936, \$20,000. par value of its common capital stock and to use the proceeds to reimburse its treasury, to liquidate accounts payable and to finance in part the cost of acquiring the equipment referred to in the foregoing opinion.

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. The authority herein granted shall become effective upon  
the date hereof.

DATED at San Francisco, California, this 8th day of  
June, 1936.

M. B. Davis  
Leon O. Kelly  
W. H. Carr  
Walter H. ...  
Frank R. ...  
Commissioners.