

ORIGINAL

Decision No. 42534

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
CALMAY VAN LINES, INC., for author- :  
ity to issue stock. )  
----- :

Application  
No. 30040

O P I N I O N

Calmay Van Lines, Inc., applicant herein, is a corporation engaged in business as a highway common carrier of used household goods and office furniture, fixtures and equipment over routes extending from San Diego to San Francisco and Sacramento and as a warehouseman of such property.<sup>(1)</sup> In this application, it asks permission to issue and sell 1,000 shares of stock, at par for cash, to finance the cost of additional equipment and to provide working capital, and to issue 817 shares in exchange for presently outstanding preferred and common shares. The 1,817 shares thus proposed to be issued are of the par value of \$60 each and of the aggregate par value of \$109,020.

Applicant was organized on or about March 6, 1947, with an authorized capital stock of 2,050 shares divided into two classes, including 2,000 shares of 4% cumulative preferred stock of the par value of \$100 each, and 50 shares of common stock of the par value of \$500 each. Heretofore, pursuant to authority granted by Decision No. 40909, dated November 12, 1947, as amended, it issued 687 shares (\$68,700 par value) of the preferred stock, and 26 shares (\$13,000

(1)

Applicant acquired the rights, property and business of W. L. Carpenter, doing business as Argonne Van Lines and Argonne Van and Storage Company, pursuant to authority granted by the Commission by Decision No. 40896, dated November 12, 1947.

par value) of the common stock for the purpose of financing the cost of properties acquired from W. L. Carpenter and of establishing and maintaining its business.

The present application shows that applicant proposes to amend its Articles of Incorporation so as to eliminate all preferences and distinctions between classes of stock and to establish one class only. It proposes to convert the presently outstanding shares into new stock on the basis of one share of existing preferred stock of the par value of \$100 for one share of new stock of the par value of \$60, and one share of existing common stock of the par value of \$500 for five shares of new stock of the aggregate par value of \$300. Applicant reports that at a meeting of its stockholders held on January 9, 1949, 21 of the 26 issued and outstanding common shares and 640 of the 687 issued and outstanding preferred shares were represented, in person or by proxy, and that at such meeting, by the unanimous vote of all shares so represented, resolutions were approved looking toward the amendment of the articles and the exchange of shares of stock. The purpose of the program is to improve applicant's financial structure through the reduction of its stated capital and the elimination of its accumulated deficit. Applicant reports that it is unable to dispose of additional stock under present conditions.

In Exhibit "A" attached to the application, applicant's financial condition as of December 31, 1948, is shown as follows:

<u>Assets</u>	
Current assets -	
Cash	\$ 3,594.84
Accounts receivable	<u>24,847.11</u>
Total current assets	\$ 28,441.95
Operating property, less reserve for depreciation	117,176.95
Intangible assets	2,500.00
Prepaid expenses	<u>5,708.33</u>
 Total	 <u>\$153,827.23</u>

Liabilities

Current liabilities -		
Accounts payable	\$33,641.65	
Taxes accrued	1,512.47	
Other current items	<u>1,574.66</u>	
Total current liabilities		\$ 36,728.78
Equipment obligations		3,997.92
Long-term obligations		59,500.00
Deferred credits		2,761.47
Capital stock -		
Preferred	68,700.00	
Common	<u>13,000.00</u>	
Total capital stock		81,700.00
Deficit		<u>(30,860.94)</u>
	Total	<u>\$153,827.23</u>

The exhibit shows, for 1948, applicant's revenues from all sources at \$220,903.97 with a net operating loss of \$26,160.94. Further losses from the sale of assets are reported at \$4,700.00, bringing the total deficit up to \$30,860.94 at the close of the year.

Applicant reports that the volume of traffic handled by its predecessor was slight and his equipment was not adapted for the operations. Accordingly, it disposed of such equipment and developed and expanded the business, conducting the operations, at first, with leased equipment. It also expended considerable sums in renovating and improving the warehouse, office and yard. As a result of these conditions, it sustained operating losses of more than \$23,000 in the first six months of its operations. By July 1, however, its business had been developed to an average monthly volume of \$20,000 and its losses decreased so that by November it realized a slight profit. (2)

Applicant estimates that it can operate at a profit if it can maintain an average monthly revenue in excess of \$20,000, but

(2)

In September, 1948, rates were increased on shipments weighing less than 4,000 pounds.

that it will need additional line equipment and working capital to handle such a volume. Accordingly, it proposes to sell 1,000 shares of stock (\$60,000 par value) at par for cash for the following purposes:

To purchase three trucks for local transportation, including pickup and delivery service	\$10,000
To purchase three line-haul units, each consisting of a tractor and semi-trailer	30,000
To provide working capital	<u>20,000</u>
Total	<u>\$60,000</u>

The proposed exchange of stock will reduce the stated value of the presently outstanding shares from \$81,700 to \$49,020, the reduction amounting to \$32,680, which is somewhat in excess of the accumulated deficit. The Commission is of the opinion that the exchange of stock as outlined in this proceeding is desirable, and that the reduction in stated value may be transferred to earned surplus and used to write off applicant's deficit.

It clearly appears, from a review of the application, that applicant is in need of additional funds to finance equipment costs and to improve its cash position.

An order authorizing the issue of stock accordingly will be entered.

### ORDER

The Public Utilities Commission having considered the above entitled matter and being of the opinion that a public hearing thereon is not 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 1,817 shares of stock is reasonably required by Calmay Van Lines, Inc. for the purposes specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED as follows:

1. Calmay Van Lines, Inc., after the effective date hereof and on or before July 31, 1949, may issue 817 shares of stock having a par value of \$60 a share, in exchange for the presently outstanding 26 shares of common stock and 687 shares of preferred stock, such exchange to be made on the basis set forth in this application, and may issue and sell for cash at par, 1,000 shares of stock having a par value of \$60 a share, to finance the cost of equipment and to improve or maintain its service as set forth in the opinion preceding this order.

2. Calmay Van Lines, Inc. may credit the reduction of \$32,680 in the stated value of its capital stock to Account 2930-- Earned Surplus, and use part thereof to write off its deficit.

3. Calmay Van Lines, Inc. shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

4. The authority herein granted will become effective twenty (20) days after the date hereof.

Dated at San Francisco, California, this 23<sup>rd</sup> day  
of February, 1949.

R. E. Anderson  
Justus J. Casner  
Frank D. Lowell  
Harold F. Kula  
Samuel C. Carter  
Commissioners