

ORIGINAL

Decision No. 48098

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of:)
 :
 PUBLIC FREIGHT SYSTEM, a California)
 corporation, for authority to issue)
 a share dividend to its shareholders,)
 and for authority to issue shares of)
 its common capital stock to certain)
 of its creditors in exchange for)
 cancellation of indebtedness pursuant)
 to Article 5, Sections 816 to 830,)
 inclusive, of the Public Utilities)
 Code of the State of California.)
 -----)

Application
No. 33953

O P I N I O N

In this proceeding the Commission is asked to make an order authorizing Public Freight System, a corporation, to issue shares of common stock in the amounts and for the purposes hereinafter set forth.

Applicant is engaged in business as a highway common carrier of property generally between Los Angeles and Los Angeles Harbor areas and between the Los Angeles Metropolitan Area and Fontana, serving intermediate points. Under authorization granted by the Interstate Commerce Commission on March 6, 1952, it acquired the operative rights and properties of Southland Transportation Co., a corporation engaged in interstate or foreign commerce over irregular routes between points in California within 25 miles of and including Huntington Park, for the sum of \$30,000 of which \$14,000 presently remains unpaid. In Exhibit A applicant presents a statement of its assets, liabilities and net worth as of October 31, 1952. A summary of the same is as follows.

Assets

Current assets		\$ 50,697.95
Property-net of depreciation		101,205.51
Intangible property		8,860.36
Other investments		3,600.00
Deferred debits		<u>3,983.33</u>
Total		<u>\$168,347.15</u>

Liabilities and Net Worth

Current liabilities		\$ 37,949.44
Equipment obligations		50,117.71
Other long-term obligations -		
To J. Nelson Kagarise	\$ 7,000.00	
To Southland Transportation Co.	<u>15,500.00</u>	22,500.00
Reserve for loss and damage claims		<u>1,030.00</u>
Total liabilities		111,597.15
Net worth -		
Common stock	22,700.00	
Earned surplus -		
Prior to Jan. 1, 1952	40,679.49	
Loss in 1952	<u>(6,629.49)</u>	
Total surplus	<u>34,050.00</u>	
Total net worth		<u>56,750.00</u>
Total		<u>\$168,347.15</u>

Since the date of the balance sheet the outstanding indebtedness in favor of Southland Transportation Co. has been reduced by additional payments to the present balance of \$14,000.

The outstanding stock consists of 454 shares of the par value of \$50 each, which are reported held by the following individuals:

J. Nelson Kagarise	332	shares
Clarence W. Wolfe	56	"
Robert P. Chicoine	56	"
Bernard C. Brennan	10	"

Applicant now seeks authorization to issue at par 1,101 shares of stock for the following purposes:

As a stock dividend	681	shares	\$34,050	par value
In payment of debts -				
J. Nelson Kagarise	140	"	7,000	" "
Southland Transportation Co.	<u>280</u>	"	<u>14,000</u>	" "
Totals	<u>1,101</u>	shares	<u>\$55,050</u>	par value

The balance sheet indicates that the presently outstanding shares have a book value of \$125 each. It is applicant's desire, through a distribution of all of its surplus, to reduce the book value to \$50 and thereafter to permit the payees of the two items of indebtedness to acquire the additional shares of stock on the same basis, to wit, \$50 a share. In support of its request it represents that its earned surplus is invested in property and equipment necessary in its operation, and that the issue of the shares of stock as a dividend, as here proposed, will permanently capitalize the amounts thus invested and will preclude for the future any diversion of these funds as cash dividends.

A review of applicant's financial reports filed with the Commission shows that since its organization in 1945 and up to and including the year 1951 it has conducted its operations at a profit, that it has paid dividends in only two of these years, and that at the close of 1951 it had an accumulated and undistributed surplus of \$40,679.49. The financial statement filed in this proceeding, however, shows that during the ten months ended October 31, 1952, it suffered a loss from its operations in the amount of \$6,629.49 and that the proposed issue of shares of stock as a dividend will eliminate its surplus account entirely.

Applicant has suggested that if the Commission does not look with favor on the payment of the stock dividend that it authorize it, as an alternative, to issue its shares of stock in payment for the two items of indebtedness on the basis of \$125 a share. Such an action, of course, will not result in dilution of the investment of the present equity owners and will call for the issue of 56 shares of stock in satisfaction of the \$7,000 indebtedness in favor of J. Nelson Kagarise and the issue of 112 shares

against the amounts owing to Southland Transportation Co.

Upon reviewing this matter we are of the opinion that it is not desirable for applicant to eliminate the surplus account in its entirety, as proposed by it. However, the issue of shares of stock in payment of outstanding indebtedness will improve applicant's financial position and we will enter an order in this proceeding approving the alternate proposal suggested by applicant, that is, the issue of additional shares at \$125 each in satisfaction of amounts owed by it. Such an action, however, should not be construed to be a finding by the Commission of the value of applicant's properties or stock.

O R D E R

The Commission having considered the above entitled matter, and being of the opinion that a public hearing is not necessary; that the application should be granted, as herein provided; that the money, property or labor to be procured or paid for by the issue of the shares of stock herein authorized is reasonably required by applicant for the purpose specified herein; and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,


IT IS HEREBY ORDERED as follows:

1. Public Freight System, on and after the date hereof and on or before March 31, 1953, may issue not exceeding 168 shares of common stock at \$125 a share, in cancellation of outstanding indebtedness in the amount of \$21,000, as set forth in this application.

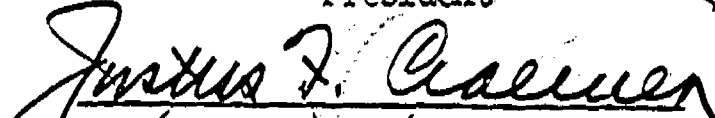
2. Public Freight System shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

3. The authority herein granted will become effective upon the date hereof.


Dated at San Francisco, California, this 22nd day of December, 1952.

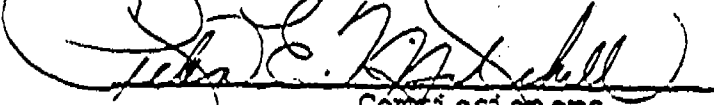


President



Harold H. Hull





Commissioners