

Decision No. 51297**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 CAL-CENTRAL TRUCKING CO., INC., for )  
 an order authorizing it to issue )  
 its securities. )  
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Application  
 No. 36760

Willard S. Johnson, for applicant.

O P I N I O N

In this application Cal-Central Trucking Co., Inc. seeks authorization to issue \$11,241.89 par value of common stock and \$62,418.90 par value of preferred stock, a total issue of \$73,660.79.

The application was filed with the Commission on February 28, 1955. A public hearing was held before Examiner Coleman in San Francisco on March 28, 1955. No protests have been received and the matter now is ready for decision.

Applicant, a California corporation, was organized on December 31, 1951, with an authorized capital stock of 5,000 shares, all common, of the par value of \$100 each, of which 224.189 shares (\$22,418.90 par value) now are outstanding. Recently, however, applicant has concluded to reclassify its capital stock, to reduce the par value of its common shares to \$10 each and to provide for preferred stock in its capital structure. It has taken steps to amend its articles so as to provide for shares as follows:

	<u>No. of Shares</u>	<u>Par Value</u>	<u>Total Par Value</u>
Common	10,000	\$ 10	\$100,000
Preferred	625	100	62,500

The holders of the new preferred shares will be entitled to cumulative dividends at the rate of 6% per annum. Such shares will be redeemable at par, plus accrued dividends, after February 28, 1958. The holders of the present \$100 par value common will surrender their shares for conversion into new shares.

At this time, applicant proposes to issue its new shares as follows:

1. To its existing stockholders of record, one share of new \$10 common and one share of new \$100 preferred in exchange for each \$100 common share now held, making a total issue of -	
Common stock, 224.189 shares, par value	\$ 2,241.89
Preferred stock, 224.189 shares, par value	22,418.90
2. To existing shareholders (C. J. Hopkinson, M. B. Dwyer, H. T. Russell and N. B. Morse) shares of preferred stock in cancellation of notes, at dollar for dollar, in the aggregate amount of 400 shares of par value of	40,000.00
3. To H. T. Russell for cash, at par, 900 common shares of par value of	<u>9,000.00</u>
Total	<u>\$73,660.79</u>

Applicant is engaged as a highway common carrier of property generally between Sacramento, Stockton, San Francisco and intermediate points. A summary of its operating results during the last two years is as follows:

	<u>1953</u>	<u>1954</u>
Operating revenues	\$1,758,785	\$1,562,341
Operating expenses	<u>1,732,938</u>	<u>1,545,183</u>
Net operating income	<u>\$ 25,847</u>	<u>\$ 17,158</u>
Operating ratio	98.53%	98.90%

The record shows, among other things, that applicant has been operating under poor load factor conditions and with insufficient working capital. It has expanded its fleet of equipment and

in doing so has found it necessary to engage in substantial borrowings with an ensuing heavy load of principal and interest payments. In an endeavor to solve its financial problems it has planned the stock transactions outlined in this proceeding whereby it will convert a portion of its debt into preferred stock and will realize cash proceeds of \$9,000. In addition its shareholders have agreed to cancel indebtedness of \$9,752, H. T. Russell has advanced a further sum of \$50,000 to enable it to meet pressing obligations, and applicant is engaged in disposing of certain land, not needed in its operations, which will bring additional amounts of cash into its treasury.

Applicant also has undertaken to improve its operating position. Through sales activities it has made arrangements to improve its load factor. It has reorganized its terminal and shop procedures with resultant saving in operating costs; it has reduced its general and administrative expenses by approximately \$2,000 a month; it has obtained a moratorium of three months in the payment of rent of its Sacramento terminal and of certain other obligations which will result in making approximately \$57,000 available to meet current obligations, and it has scaled down its principal and interest payments to a point where its annual depreciation charges will be more than sufficient to take care of these amounts.

At the conclusion of the several transactions now under way applicant will have loans of approximately \$393,000 standing out against the equipment it owns, which equipment is carried on its balance sheet at \$569,704. The investment by its shareholders will be represented by advances of \$50,000, preferred stock of \$62,418 and common stock equity of \$60,087. Admittedly, this is not a

structure the Commission normally would approve. However, the program applicant offers appears to be a practical one under the conditions obtaining in its case. Neither its creditors nor its patrons should be affected adversely. It is true there will be a change in control with H. T. Russell becoming the majority shareholder but it is clear that the shareholders, seven in number, have agreed to the distribution of the shares among themselves.

As to the immediate future, the record shows that applicant is not faced with the necessity of expanding or replacing its fleet of equipment or of providing capital funds and that on the basis of the changes in its operational procedure, and the economies that have been effected, net earnings should be realized sufficient to enable applicant to meet its fixed charges and principal payments.

Upon a full review of the record it appears to us that approval of the application should be given.

O R D E R

A public hearing having been held on the above entitled matter and the Commission having considered the evidence and being of the opinion 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 purposes specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

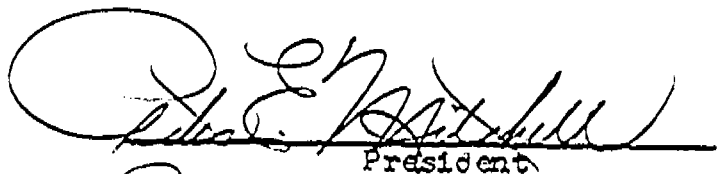
IT IS HEREBY ORDERED as follows:

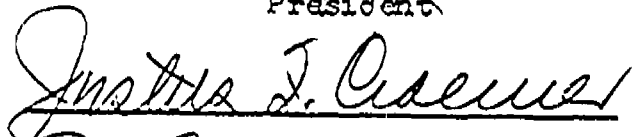
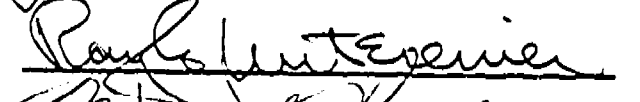

1. Cal-Central Trucking Co., Inc. may issue, on or before August 31, 1955, not exceeding 1,124,189 shares of its common stock of the aggregate par value of \$11,241.89 and not exceeding 624,189 shares of its preferred stock of the aggregate par value of \$62,418.90 under the terms and conditions and for the purposes set forth in this application.

2. Cal-Central Trucking Co., Inc. 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 20 days after the date hereof.

Dated at San Francisco, California, this 17th day of April, 1955.

  
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President

  
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Commissioners