

ORIGINAL

Decision No. 53664

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of CALIFORNIA CARTAGE COMPANY, INC., a California corporation, for authority to issue new \$1.00 par value stock in exchange for old \$10.00 par value stock; for authority to issue and pay a stock dividend; and for authority to exchange long-term indebtedness in the place and stead of current indebtedness to one of its officers and directors.

Application No. 38302

O P I N I O N

In this application California Cartage Company, Inc. requests the Commission to enter an order authorizing it to issue 15,000 shares of its new \$1.00 par value stock in exchange for the 1,500 shares of \$10 par value stock currently outstanding; to transfer \$135,000 from its earned surplus account to its capital account and in connection therewith to issue 135,000 shares of its new \$1.00 par value stock as a stock dividend; and to refinance currently outstanding short-term indebtedness by the issue of notes payable more than 12 months after date of issue.

Applicant is a California corporation engaged as a highway common carrier of property between Los Angeles and San Diego, as a permitted carrier in Los Angeles and vicinity, and as a carrier in interstate operations between Los Angeles and the Harbor. Its assets and liabilities, as summarized from detail contained in its May 31, 1956 balance sheet, are as follows:

Assets

Current assets -		
Cash	\$145,575.05	
Other current assets	<u>193,734.74</u>	\$339,309.79
Properties -		
Recorded cost	\$707,485.63	
Less: Reserve for depreciation and amortization	<u>322,802.33</u>	384,683.30
Investments		30,846.88
Franchise		31,603.88
Other assets		<u>23,189.84</u>
 Total assets		 <u>\$809,633.69</u>

Liabilities

Current liabilities -		
Notes and equipment purchase obligations	\$ 99,611.47	
Taxes payable	71,325.42	
Accounts payable	56,579.72	
Accrued salaries, wages, interest and insurance	60,879.33	
C.O.D.'s unremitted and unapplied customer credits	14,855.26	
Reserve for cargo loss and damage claims	<u>11,274.09</u>	\$314,525.29
Long-term liabilities		129,764.56
Net worth -		
Capital stock	\$ 15,000.00	
Earned surplus	<u>350,343.84</u>	<u>365,343.84</u>
 Total liabilities		 <u>\$809,633.69</u>

For the year 1955 applicant reports revenues of \$1,564,587 and net income transferred to surplus of \$71,017. Comparable figures for the five months ended May 31, 1956 are \$829,268 and \$39,557. Applicant has not paid a dividend on its outstanding stock since 1952. It has reinvested its retained earnings in properties and other assets. As shown by its May 31, 1956 balance sheet, applicant had a net worth of \$365,343.84, which included capital stock of a par value of \$15,000, and retained earnings of \$350,343.84.

Applicant's bankers and its outside auditors have been concerned for some time by the very small invested capital of \$15,000 when related to an earned surplus balance of \$350,344, and by the relationship of the \$15,000 of capital stock with applicant's investment in assets which totaled \$809,634 as of May 31, 1956. They have recommended that the capital structure be changed from an authorized 10,000 shares of a par value of \$10 per share and an aggregate par value of \$100,000 to an authorized 1,000,000 shares of a par value of \$1.00 per share and an aggregate par value of \$1,000,000. They have also recommended that applicant transfer from its earned surplus account into its capital account not less than \$135,000, and that such transfer be effectuated through a stock dividend of nine shares for one to the present shareholders after arrangements have been made for the change in the capital structure of applicant.

Applicant has amended its articles of incorporation so as to provide for the issuance of capital stock of the par value of \$1.00 per share. To meet the recommendations of its bankers and auditors applicant proposes to exchange the new stock for the stock currently outstanding by issuing 10 new shares of \$1.00 par value stock for each share of the \$10 par value stock currently outstanding. This exchange of stock will not result in any change in the total par value of stock outstanding. In addition, the company proposes to increase its stated capital by the transfer of \$135,000 from its earned surplus account to its capital account and to declare a stock dividend of nine shares of \$1.00 par value stock for each share of the \$1.00 par value stock which will be outstanding after the initial exchange of stock has been made for the \$10 par value stock currently outstanding. The

result of this exchange and issuance of a stock dividend will tend to strengthen applicant's capital structure and will place it in a better financial position for the purpose of negotiating loans with lending institutions.

Applicant also, as of May 31, 1956, had outstanding, among others, certain unsecured short-term notes in the amount of \$14,200 which represent borrowings used for the acquisition of items of equipment needed by it in the conduct of its business and for the improvement and maintenance of its service. It now proposes to re-finance the \$14,200 of short-term obligations by the issuance of one note, dated May 21, 1956, in the principal sum of \$7,200, bearing interest at the rate of 3% per annum and due May 20, 1958, and by the issuance of a second note, dated May 21, 1956, in the sum of \$7,000, also bearing interest at 3% per annum and due May 20, 1959. The notes to be refunded are payable to the president of applicant and the new notes will be issued to the same person.

From a review of the application, it appears that the issuance of the stock and the promissory notes herein proposed will strengthen applicant's financial position and capital structure and will tend to improve its ability to finance future expansion. Accordingly, an order will be entered in this matter.

O R D E R

The Commission having considered the above-entitled matter and being of the opinion a public hearing is not necessary, that the

money, property or labor to be procured or paid for by the issue of the securities herein authorized 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 expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. California Cartage Company, Inc., after the effective date hereof and on or before December 31, 1956, may issue 15,000 shares of its new \$1.00 par value stock in exchange for the 1,500 shares of \$10 par value stock currently outstanding on the basis of 10 shares of the new stock for each share of the old stock currently outstanding.
2. California Cartage Company, Inc., after the effective date hereof and on or before December 31, 1956, may transfer from its earned surplus account to its capital stock account the sum of \$135,000 and may issue to its stockholders as a stock dividend 135,000 shares of its \$1.00 par value stock on the basis of nine shares for each share of the \$1.00 par value of stock which will be outstanding after the exchange authorized in paragraph 1 of this order.
3. California Cartage Company, Inc., after the effective date hereof and on or before December 31, 1956, may issue its promissory notes in the principal sum of not exceeding \$14,200, payable more than 12 months after the date of issue for the purpose of refinancing currently outstanding short-term loans of the same principal amount.

4. Applicant shall file a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

5. The authority herein granted will become effective when applicant has paid the minimum fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$25.

Dated at Los Angeles, California, this 27th day of August, 1956

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

