

Decision No. 56071

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
HILLS TRANSPORTATION CO., for an
order authorizing the issuance
of shares of its stock.

Application No. 39650

OPINION

Hills Transportation Co., a corporation, has filed this application for authorization to issue \$300,000 par value of its common stock.

Applicant is a California corporation organized on August 24, 1946. Since 1947 it has been engaged in business as a motor carrier of property and in 1957 it was certificated as a highway common carrier of general commodities, with certain exceptions, between the San Francisco territory and the Los Angeles territory, Santa Ana, Anaheim and San Diego and various intermediate points (Decision No. 54547, dated February 19, 1957 and Decision No. 54901, dated April 22, 1957 in Application No. 36253). Applicant has reported its operating revenues and net income during the last five years as follows:

	<u>Operating Revenues</u>	<u>Net Income</u>
1953	\$760,920	\$25,811
1954	714,316	10,380
1955	706,896	9,703
1956	795,742	28,556
1957 (10 months)	693,786	33,532

It appears that applicant has financed itself primarily with proprietary capital. A condensed statement of its assets, liabilities and capital, as of October 31, 1957, is as follows:

Assets

Current assets -		
Cash and special deposits	\$200,831	
Temporary cash investments	35,000	
Accounts receivable	67,077	
Prepayments	18,749	
Materials and supplies	<u>5,274</u>	
Total current assets		\$326,931
Tangible property, less reserve		111,405
Noncarrier property		21,906
Intangible property		176
Other investments		63,756
Deferred debits		<u>6,863</u>
Total		<u>\$531,037</u>

Liabilities and Capital

Current liabilities		\$ 97,030
Loss and damage reserve		1,649
Capital -		
Common stock	\$ 57,500	
Premiums	26	
Earned surplus	<u>374,832</u>	
Total capital		<u>432,358</u>
Total		<u>\$531,037</u>

The outstanding stock consists of 1,150 shares of the par value of \$50 each, all held by E. A. Hills. It has not been applicant's practice to pay annual dividends on its outstanding shares but instead to retain its earnings in its business. According to its financial statements, its total net income from the inception of its operations to October 31, 1957, has aggregated \$538,099 and its federal income taxes, \$163,267, leaving a net balance of retained earnings of \$374,832, as shown in the preceding balance sheet.

Applicant now desires to capitalize a portion of its retained earnings through the issue of \$300,000 of common stock and to deliver such stock to its sole shareholder as a stock dividend, thereby bringing the stated capital to \$357,500. The

proposed transaction will not result in the withdrawal of cash from the operations but merely in the transfer of \$300,000 of retained earnings to the capital stock account and the permanent capitalization of that amount.

A review of applicant's financial reports shows that it has had earnings from operations well in excess of the proposed stock issue, that such earnings have been invested in the properties and business and that an order therefore properly can be made authorizing the issue of the stock for the purpose and in the amount requested.

O R D E R

The Commission having considered the above-entitled application and being of the opinion that a public hearing is not necessary, that the money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required 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. Hills Transportation Co. may issue not exceeding \$300,000 of its common stock for the purpose of reimbursing its treasury because of earnings invested in its properties and business. Upon such reimbursement applicant may deliver such stock to its shareholder as a stock dividend.

2. Hills Transportation Co. 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.

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

Dated at San Francisco, California, this 14th day of January, 1958.

[Signature]
President
[Signature]
[Signature]
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Commissioners