

ORIGINAL

Decision No. 58224

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
KARLSON BROS. TRUCKING SERVICE, for
an order authorizing the issuance
of shares of its stock.

Application No. 40935

O P I N I O N

Karlson Bros. Trucking Service, a corporation, has filed this application for authorization to issue 12,000 shares of its common stock of the aggregate par value of \$120,000 for the purpose of reimbursing its treasury. If authorized to issue the shares, it intends to distribute them as a share dividend to the holder of all its presently outstanding shares of common stock.

Applicant is a California corporation which has been engaged, since 1954, in the operation of a highway common carrier service for the transportation of property generally between San Francisco and points in the Sacramento and San Joaquin Valleys, and other points, as set forth in its certificate of public convenience and necessity. In Exhibit B, filed in this proceeding, it has reported its results of operations during the last five calendar years. The exhibit shows the operating revenues and net income, after making provision for depreciation and federal income taxes, as follows:

	<u>Revenues</u>	<u>Net Income</u>
1954	\$ 534,461.54	\$ 10,978.28
1955	608,695.01	38,068.31
1956	902,208.76	47,628.01
1957	536,516.30	45,256.70
1958	<u>687,836.03</u>	<u>30,323.41</u>
Total	<u>\$3,269,717.64</u>	<u>\$172,254.71</u>

It appears that applicant has financed itself primarily with proprietary capital. A summary statement showing its assets, liabilities and net worth as of December 31, 1958, is as follows:

<u>Assets</u>	
Current assets	\$102,576.59
Tangible property, less reserve	269,005.49
Intangible property	3,332.43
Deferred debits	<u>113.00</u>
Total	<u>\$375,027.51</u>
<u>Liabilities and Net Worth</u>	
Current liabilities	\$ 65,624.83
Equipment obligations	56,362.11
Insurance reserve	719.71
Common stock equity -	
Common stock	\$ 80,000.00
Earned surplus	<u>172,320.86</u>
Total common stock equity	<u>252,320.86</u>
Total	<u>\$375,027.51</u>

All the presently outstanding stock is reported held by G. Karlson.

From a review of applicant's financial statements, it clearly appears that it has had earnings, after making allowance for depreciation, in excess of the proposed stock dividend and that such earnings, instead of being distributed as cash dividends, have been retained by applicant in its assets and business. An order, therefore,

properly can be entered authorizing applicant to issue the shares of stock in the amount requested for the purpose of reimbursing its treasury. Such shares thereafter may be distributed to the holder of the presently outstanding shares as a share dividend.

The issue of the shares of stock as a dividend will not call for the withdrawal of cash from applicant's business. It will result in the transfer of the sum of \$120,000 from the earned surplus to the common stock account, the transaction thus resulting in the permanent retention in the business of earnings of that amount and in the development of a broader base of permanent equity in applicant's capital structure.

Upon a review of this matter we are of the opinion that an order should be entered granting applicant's request.

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; NOW THEREFORE,

IT IS HEREBY ORDERED as follows:

1. Karlson Bros. Trucking Service, on and after the effective date hereof and on or before September 30, 1959, may issue not to exceed 12,000 shares of its common stock, of the aggregate par value of \$120,000, for the purpose of reimbursing its treasury and thereafter may distribute such shares as a share dividend to the holder of its outstanding shares of common stock.

2. Karlson Bros. Trucking Service shall file with the Commission a monthly 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 7th day of

April, 1959.

E. L. Fox
President
W. L. B. Hill
W. L. B. Hill
Theodore H. Jensen
Everett W. Rouse
Commissioners