

Decision No. 79191

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SYSTEM 101, a California corporation, under Sections 816-830 of the Public Utilities Code for a permit to issue capital stock. (Amended title.)

Application No. 52593
(Filed April 30, 1971;
Amended June 2 and 25, 1971)

Knapp, Gill, Hibbert & Stevens, by Karl K. Roos,
Attorney at Law, for applicant.
Murchison & Davis, by Donald Murchison, Attorney
at Law, for Auto Fast Freight, Inc., Joseph N.
LeBow, dba Desert Empire Express, LaSalle
Trucking Company, California Cartage Company,
James H. Carr and Charles A. Carr, dba Carr
Bros., Oxnard Trucking Service, Los Angeles
City Express, Inc., Milton's Express, Inc.,
Swift Transportation Company, Reliable Delivery
Service, Inc., Pacific Motor Trucking Company,
Delta Lines, Inc., and System 99 Express;
Russell & Schureman, by Carl H. Fritze, Attor-
ney at Law, for Brake Delivery Service, City
Transfer, Inc., G & H. Transportation, Inc.,
Griley Security Freight Lines, Imperial Truck
Lines, Inc., Rozay's Transfer, Quikway Trucking
Co., and Smith Transportation Co., protestants.
Edward C. Crawford, for the Commission staff.

O P I N I O N

System 101, a California corporation, seeks an order of the Commission authorizing it to sell, issue and exchange 204 shares of par value capital stock, at par: 50 shares to its general manager and 154 shares to Unilease, Inc., a California corporation, a wholly owned subsidiary. By second amendment applicant alleged that it had changed its name to "System 101" by filing on June 14, 1971, a Certificate of Amendment of its Articles of Incorporation in the office of the Secretary of State of the State of California.

On June 29, 1971, Application No. 52593 was consolidated with Application No. 52253 for public hearing which was held in

Los Angeles on June 29, 30 and July 1, 1971. Application No. 52593 was submitted on July 1, 1971, subject to filing on briefs by any party on July 9, 1971. Briefs have been filed and Application No. 52593 is ready for decision.

The application is filed under Sections 816-830 of the Public Utilities Code for a permit to issue at par 204 shares of applicant's capital stock of the par value of \$100 per share and of the aggregate par value of \$20,400 to Unilease, Inc., a corporation. Both corporations have the same management. Unilease, Inc., holds no operating authority issued by this Commission and does not engage in any business subject to regulation by this Commission.

Applicant is a highway common carrier operating in intrastate and interstate and foreign commerce pursuant to certificates of public convenience and necessity issued by this Commission and the Interstate Commerce Commission (Cal. P.U.C. Decision No. 72375, Application No. 45315; I.C.C. MC-129966, and MC-129966, Sub. No. 1). By Application No. 52253, filed October 16, 1970, now pending before this Commission, applicant seeks an extension of its certificate of public convenience and necessity to transport general commodities with the usual exceptions in intrastate and interstate and foreign commerce over regular routes between points in San Diego County, California, and Salinas, California.

The consideration to be received by applicant in exchange for its stock is \$10,200 in cash, and the cancellation of \$10,200 indebtedness to Unilease, Inc., incurred for equipment.

This hearing was held on a common record with applicant's highway common carrier extension application in Application No. 52253. Protestants objected to this finance application on the ground that the findings in Application No. 52253 would affect the record in this case and that the two applications should be decided at one time on the consolidated record.

The \$10,200 to be paid in exchange for stock is to be used for working capital. The obligation to be discharged or refunded

was incurred by purchase of motor vehicle operating equipment from Unilease, Inc., at Unilease's depreciated book value.

Exhibits 20, 21 and 23 on the consolidated record concern this proceeding.

The accounting treatment to be accorded this transaction is shown in applicant's Exhibits Nos. 20 and 21, actual and pro forma balance sheets, assuming consummation of the proposed transaction at December 31, 1970 and March 31, 1971. Ten thousand two hundred dollars cash, received for 102 shares, is to be added to cash on hand to be used as working capital, thereby increasing applicant's total current assets to \$30,375, as against total liabilities of \$25,016. The \$10,200 indebtedness to Unilease, Inc., to be discharged in exchange for 102 shares, will be credited as payment on principal of the unsecured note dated October 1, 1970, payable on demand in the principal amount of \$15,400, plus interest at 7 percent per annum. The principal amount of the note represents a depreciated book value of the equipment at \$10,200, plus accrued lease rentals of \$5,180. Twenty thousand four hundred dollars, the par value of the 204 shares, will be added to capital stock. A Commission staff witness from the Finance and Accounts Division testified that he prepared Exhibit No. 23, which shows that applicant's recorded equity-debt ratio, as of March 31, 1971, was 18.4 percent, a ratio which he considered about "average" for highway common carriers, and which giving effect to the transfer, as of March 31, 1971, would raise applicant's equity-debt ratio to 46.2 percent, a ratio which witness Braggins considered very favorable.

This application for issuance of stock is in the nature of an amendment to applicant's financial position and should be granted regardless of the issues involved in the certificate matter, whether or not the application for certificate is granted. The briefs of protestants admit that the stock issue will improve applicant's financial position and its ability to perform its services.

The record herein does not support objections of protestants to the granting of Application No. 52593.

Upon consideration of the evidence, the Commission finds that:

1. The proposed stock issue is for proper purposes.
2. The applicant has need for the funds requested for the purposes set forth in the application, whether or not the application for certificate in No. 52253 is granted.
3. The money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required for the purposes specified herein, and such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings we conclude that the application should be granted and the records of the Commission should be changed to reflect the substitution of the name "System 101" for "Solvang Freight Line, Inc."

In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return applicant should be allowed to earn on its investment in plant and that the authorization herein given is not to be construed as a finding of value of applicant's stock or properties nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates. The order which follows is solely for the purpose of permitting applicant to obtain the financing requisite to avert endangering its operations and is in no way indicative of or intended to prejudge the decision to which the Commission shall come in Application No. 52253.

O R D E R

IT IS ORDERED that:

1. The name "Solvang Freight Lines, Inc." is deleted wherever it appears on the records of the Commission and there is substituted in place and stead thereof the name "System 101."

2. Applicant shall comply with the provisions of Rule 6.4 of General Order No. 80-A.

3. System 101 may issue 204 shares of applicant's capital stock of the par value of \$100 per share and of the aggregate par value of \$20,400, at par, to Unilease, Inc., a corporation, in accordance with the terms and in the manner as described in this order.

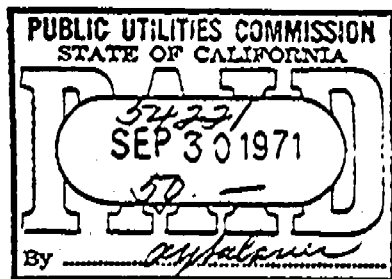
4. System 101 shall apply the proceeds from the sale of said stock to the purposes set forth and described above.

5. Applicant shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order in so far as applicable is made a part of this order.

6. The authority to issue stock shall become effective when System 101 has paid the fee prescribed in Section 1904.1 of the Public Utilities Code, which fee is \$50.

In all other respects the effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 28th day of SEPTEMBER, 1971.



William J. Strickland Chairman

Yuan L. Strickland

Commissioner

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.