

RR/1q

Decision No. 92252 SEP 16 1980**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Viking Freight System, Inc., for Authorization to Issue 30,500 Shares in Exchange for and to Acquire 610 Shares of Aztec Computer Service, Inc., and to Issue 10,000 Shares of Preferred Stock at \$100 Per Share for Cash of \$1,000,000.

Application No. 59828
(Filed July 24, 1980)

O P I N I O N

Viking Freight System, Inc., (Viking) seeks authority (1) to issue and exchange 30,500 of its authorized but unissued no par common shares for 610 shares of Aztec Computer Service, Inc. (Aztec) common stock, (2) to merge Aztec Computer Service, Inc. into itself, (3) to execute and enter into an agreement with its proposed preferred stockholders, establishing their rights, preferences and privileges and Viking accepting rights and responsibilities, (4) to issue, sell and distribute 10,000 newly authorized but unissued preferred shares to named parties for \$100 cash per share. Authority is sought pursuant to Sections 816 through 830 of the Public Utilities Code. Notice of the filing of the application appeared on the Commission's Daily Calendar of July 28, 1980.

An in lieu certificate of public convenience and necessity authorizing Viking to engage in operations as a highway common carrier throughout a substantial part of the State of California was granted by Decision No. 91598 on April 15, 1980 in Application No. 59185. The certificate is also the subject of a coextensive Certificate of Registration, issued by the Interstate Commerce Commission, under its Docket No. MC-129183 authorizing Viking to engage in the transportation of property moving in interstate and foreign commerce. Viking also operates as an intrastate highway permitted carrier more fully described in File No. T-84,649.

Applicant's operating equipment includes 275 tractors, 35 trucks, and 873 semi-trailers, according to its annual report. For the year ended December 31, 1979, Viking generated total operating revenues of \$29,814,674, and net income of \$919,551.

Viking has used the services of Aztec Computer Service, Inc., to handle its data processing for the past eight years. Aztec serves customers other than Viking. Problems have been encountered in scheduling programmers, operators and machine time. Unless processing functions are performed in a timely manner, costly delays occur in reporting delivery receipts and mailing freight bills. Viking recognizes its need to modify, improve and expand its data processing system to effect a substantial savings in freight operation costs. Viking's management has decided that it wishes to exercise direct control over its data processing requirements.

Aztec has 1,000 shares outstanding. Viking presently owns 390 of these shares. Dean E. Shippen (Shippen) owns the remaining 610 shares of Aztec common stock. Viking and Shippen have concluded an agreement, pending this Commission's concurrence. Shippen wishes to retain the accounts other than Viking, and certain data processing equipment with a net book value of \$27,741. They have concluded that the remainder of Aztec will be merged into Viking after the latter issues 30,500 shares to Shippen in exchange for the 610 Aztec shares which he now owns.

According to the application, Viking's common shares have a market value of \$6 per share. Viking's management offered Shippen 50 of these shares for each of the 610 Aztec shares he owns. The fairness of the basis of valuation of Aztec shares as outlined in the application appears reasonable.

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Viking's pro forma financial position as of January 1, 1980 as shown in a letter dated July 23, 1980, attached to the application is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Current Assets	\$ 4,564,884
Property and Equipment	14,564,884
Deferred Charges, Other Assets	<u>962,233</u>
Total	<u>\$19,541,122</u>
<u>Liabilities and Stockholders Equity</u>	
Current Liabilities	\$ 7,377,704
Long-Term Debt	9,222,844
Other Deferred Credits	764,858
Stockholders Equity	<u>2,175,716</u>
Total	<u>\$19,541,122</u>

Viking proposes to issue and sell 10,000 shares of 12% preferred stock for \$100 cash per share in equal amounts to California Northwest Fund, Inc., and J. H. Foster & Company, Inc., for a total consideration of \$1,000,000. Applicant will use the proceeds to readjust its indebtedness by paying down its financing of short-term accounts receivable.

In connection with the sale of preferred shares of stock Viking proposes to enter into an Agreement with the purchasers. The rights, liabilities, limitations and qualifications are more fully described in Exhibit G attached to the application. The details of the Agreement appear fair and reasonable.

The Transportation Division and the Revenue Requirements Division have reviewed these transactions and conclude that the authority requested is reasonable and not adverse to the public interest. No protests have been received.

Findings of Fact

1. The exchange of common stock would not be adverse to the public interest.

2. The valuation of Viking and Aztec common stock is fair and reasonable.

3. The merging of Aztec into Viking would not be adverse to the public interest.

4. The Agreement with the preferred shareholders is fair and reasonable.

5. The issuance of the preferred shares is for a proper purpose.

6. There is no known opposition and no reason to delay granting the authority requested.

7. The money, property or labor to be procured or paid for by the issuance of the stock herein authorized is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or income.

Conclusions of Law

1. A public hearing is not necessary.

2. The application should be granted to the extent set forth in the order which follows.

In issuing our order herein, we place Viking and its shareholders on notice that we do not regard the number of shares outstanding, the total stated value of the shares, nor the dividends paid, as measuring the return it should be allowed to earn on its investment in plant, and that this authorization is not to be construed as a finding of the value of the company's stock or property nor as indicative of the amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. On or after the effective date hereof and on or before June 30, 1981 for the purposes specified in the application, Viking Freight System, Inc., may issue, sell and distribute 30,500 of its no par common stock to Dean Shippen in exchange for 610 shares of Aztec Computer Service, Inc., common stock.

2. After the acquisition of the 610 common shares of Aztec Computer Service, Inc., Viking Freight System, Inc., may merge Aztec Computer Service, Inc., into itself.

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3. Viking Freight System, Inc., may enter into an Agreement with its preferred shareholders as described in Exhibit G, attached to the application, setting forth the relative rights, preferences, privileges and restrictions of the respective classes of the shares of preferred and capital stock.

4. Viking Freight System, Inc., may issue, sell and distribute in a manner consistent with this opinion 10,000 shares of its no par preferred stock to the parties named and for the purposes stated in the application.

5. Viking Freight System, Inc., shall file with the Commission a report, or reports as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

6. Since the fee of \$2,183 prescribed by Section 1904.1 of the Public Utilities Code has already been paid, this order shall become effective when signed.

Dated SEP 16 1980, at San Francisco, California.

John E. Guiza President
William L. Stevenson
Richard D. Kinnell
Charles J. Pedrick
James M. Smith Commissioners

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
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