Process
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Decision 93856 December 15, 1981

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

Application of VIKING FREIGHT SYSTEM, INC. to effect a four-for-five reverse stock split and to issue and sell not exceeding 440,000 shares of Common Stock, no par value.	Application 61004 (Filed October 22, 1981; amended November 6, 1981)

OPINION

Viking Freight System, Inc. (Viking) by application filed October 22, 1981, requested authority under Public Utilities (PU) Code Sections 816 through 829:

1. To effect a reverse stock split, issuing four new shares of common stock for every five shares currently outstanding; and
2. To issue and sell not to exceed 440,000 shares of common stock, no par value (after giving effect to the four-for-five reverse stock split).

Notice of the filing of the application appeared on the Commission's Daily Calendar of October 26, 1981.

By the amendment filed November 6, 1981, Viking changed its request to seek authorization to issue and sell an additional 44,000 shares of common. No protests have been received to either the application or the amendment.

Viking is a California corporation and a public utility principally engaged in the business of providing pickup and delivery service of commercial freight throughout California.

Viking proposes to issue and sell the common stock in a first-time public offering. The underwriters who will underwrite this offering and Viking believe that a reverse stock split of four new shares for five existing shares will significantly increase the marketability of the newly issued shares by causing the new shares to be offered at a price more attractive to institutional investors.

Viking plans to use $2.5 million of the proceeds of the sale for repayment of a revolving line of credit secured by accounts receivable. The proceeds of the revolving credit have been used for working capital. Interest is being paid on the outstanding balance at 2½% above the prime rate. The remainder of the proceeds from the stock sale would be used to repay approximately $3.5 million in loans from various equipment manufacturers incurred for purchases of revenue equipment. The terms of these loans vary from five to seven years, at 17½% to 23% interest.

Viking plans to have the offering of shares of its common stock underwritten by a nationwide group of underwriters who will agree to purchase the common stock according to an underwriting agreement to be entered into between Viking and the representatives of the underwriters. The underwriters then intend to offer the common stock to the public.

The final terms of the underwriting agreement and other terms of the proposed offering, including the price of the common stock, the aggregate number of shares to be offered, and the underwriting spread will be determined by negotiation between Viking and the underwriters shortly before the proposed public offering.

The underwriters have requested that Viking grant them an overallotment option equal to 10% of the number of shares to be offered to the public. The underwriters believe that, because the proposed transaction will be Viking's first public offering, it may be necessary to issue an additional 44,000 shares in order to fulfill obligations of the underwriters incurred when offering the shares to the public.

Viking is currently authorized by its articles of incorporation to issue 5,000,000 shares of common stock, no par value, and 10,000 shares of preferred stock, no par value. On September 30, 1981, Viking had outstanding 1,385,423 shares of common stock and 10,000 shares of preferred stock.

According to a balance sheet included as part of Exhibit B to the application, Viking's capital structure as of June 30, 1981, was as follows:

Current Liabilities	$ 8,960,813	32.73%
Long-Term Debt	11,546,196	42.17
Deferred Items	1,050,342	3.83
Preferred Stock (12% Cum. Conv.)	979.421	3.58
Common Stock Equity	4,842,918	17.69
	$27,379,690	100.00%

A $6,000,000 increase in common equity and a corresponding reduction in debt would raise the common stock equity ratio to approximately 40%, resulting in much more healthy capital structure.

No dividends have been declared or paid on common stock in the five-year period ended December 31, 1980.

Viking states that it is very important that the sale of Viking's common stock be accomplished by December 15, 1981, to avoid adverse year-end market conditions surrounding an initial public offering. According to Viking, a delay in the issuance and sale of the shares would result in significantly increased expenses incurred for creation and filing of new documents, as well as the expense of continuing to carry short-term debt at high interest rates. For these reasons, Viking requests the Commission to expedite its application so that an authorizing order may be obtained by December 1, 1981, or as soon thereafter as possible.

Findings of Fact

1. Viking is a California corporation operating under the jurisdiction of this Commission.

2. Viking has need for external funds to repay its line of credit and its equipment loans.

3. The proposed four-for-five reverse stock split will make Viking's common stock more attractive to institutional investors.

4. The proposed common stock issue is for lawful purposes and the money, property, or labor to be obtained by it is required for these purposes. Proceeds from the security issue may not be charged to operating expenses or income.

5. There is no known opposition to this proceeding and no reason to delay granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.

2. The application should be granted.

ORDER

IT IS ORDERED that:

1. Viking Freight System, Inc. (Viking), on or after the effective date of this order, may effect a reverse stock split, issuing four new shares of common stock for every five shares currently outstanding.

2. Viking, on or after the effective date of this order, may issue and sell, not to exceed in the aggregate, 484,000 shares, post-reverse split, of its common stock on the terms and conditions to be negotiated with the underwriters.

3. Viking shall use the net proceeds from the sale of its common stock for the repayment of debt as set forth in the application.

4. Promptly after Viking ascertains the underwriting compensation and the price to be paid to Viking for the common stock, Viking shall notify the Commission of each in writing.

5. As soon as available, Viking shall file with the Commission three copies of its final offering circular pertaining to the common stock.

Applicant shall file the reports required by General Order Series 24.

The authority granted by this order to issue common stock will become effective when Viking pays the fee set by PU Code Section 1904.1. In all other respects this order is effective today.

Dated DEC 15 1981, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
PRISCILLA C. CREW
Commissioners

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
DEC 15 1981
By

I CERTIFY THAT THIS DECISION WAS APPROVED BY THE ABOVE COMMISSIONERS TODAY.

Joseph E. Bodovitz, Executive Director