

Decision No.     

ORIGINAL

Decision No. 1943

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of )  
 the Glendale and Montrose Railway, )  
 a corporation, for order authorizing ) Application No. 1327  
 increase in capital stock and change )  
 in par value of stock. )

Haas and Dunnigan for applicant.

EDGERTON, Commissioner.

O P I N I O N

This is an application by Glendale and Montrose Railway for an order authorizing the issue of \$250,000 par value of capital stock. Applicant also asks authority to amend its articles of incorporation to provide for an increase of its capital stock, but this may be done without the authorization of this Commission. Of course, no stock may be issued under the amended articles without an order.

At present applicant is authorized by its articles of incorporation to issue 250 shares of stock of a par value of \$100 per share, or a total par value of \$25,000. All of this stock is outstanding and is owned by J. Frank Walters.

It is proposed to amend the articles of incorporation to provide for an increase of capital stock from \$25,000 par value to \$250,000 par value divided into shares of \$10 each, and to dispose of this stock as follows:

2500 shares to be issued in exchange for the 250 shares now outstanding. This is on a basis of an even exchange of par value of stock.

22,500 shares to be issued to J. Frank Walters at 10 cents per share in partial retirement of indebtedness owed by applicant to him.

This would mean the delivery of \$225,000 par value of stock for \$22,500, or a sale of stock at one per cent of par value.

I think the mere statement of this proposal indicates that it should be denied, as to permit this corporation to sell its stock at such a small fraction of its par value would certainly result in heavy over-capitalization.

Furthermore, the purpose to be served by this transaction is not at all clear. Mr. Walters now owns all of the stock of applicant, and if this application were granted he would own all of the new stock, which would in no wise change his relation to the corporation, except that he would have a vastly increased amount of par value of stock.

It is true that the plan to retire indebtedness by the issuance of stock is meritorious, provided that it be done upon a proper basis. Therefore, I recommend that this application be denied with permission to applicant to submit an amended application, setting out a modified plan for the issuance of this stock, and that no further hearing be required upon the submission of the amended application.

Herewith a form of order:

ORDER

Application having been made by Glendale and Montrose Railway for an order authorizing the issue of capital stock, and it appearing to the Commission that said application should be denied without prejudice,

IT IS HEREBY ORDERED by the Railroad Commission of the State of California that the application herein be and the same is hereby denied, with permission to applicant to file an

