

Decision No. 27188

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
WILMINGTON TRANSPORTATION COMPANY,)
a corporation, for order authoriz-) Application No. 19501
ing issue of stocks.)

Young, Lillick, Olson, Graham & Kelly
for Applicant.

BY THE COMMISSION:

OPINION

The Wilmington Transportation Company asks permission to issue 20,000 shares of common stock having a par value of \$50.00 per share in exchange for 20,000 shares of common stock having a par value of \$100.00 per share.

The company as of December 31, 1933, reports assets and liabilities as follows:

ASSETS

Investment in real property & equipment....	\$2,981,796.24
Less-Reserves for accrued depreciation-Cr..	<u>1,710,393.31</u>
Net investment.....	1,271,402.93
Cash.....	30,629.54
Loans and bills receivable.....	1,996.41
Traffic balances owed by other companies..	206.16
Net balance due from agents, pursers & stewards	281.88
Miscellaneous accounts receivable.....	47,096.64
Materials and supplies.....	19,652.82
Temporary advances.....	700,715.94
Insurance premiums paid in advance.....	25,609.28
Taxes paid in advance.....	3,898.33
Other deferred debit items.....	<u>8,856.95</u>

Total Assets.....\$2,110,346.88

LIABILITIES

Capital stock.....	\$2,000,000.00
Audited vouchers and wages unpaid.....	34,234.21
Operating reserves.....	1,771.51
Profit and loss-Credit balance.....	<u>74,341.16</u>

Total Liabilities.....\$2,110,346.88

All of applicant's stock, except directors shares, is owned by Santa Catalina Island Co. The stockholders have unanimously approved the reduction in applicant's stock. In its petition applicant recites that no distribution by dividend, or otherwise, of the reduction surplus account is contemplated by either the Board of Directors or stockholders of applicant. It further recites that the purpose of reducing its stock at this time is to afford applicant the benefit to be derived by the reduction of stated capital which will be reflected in its financial statement.

We do not believe that a surplus created through the reduction in capital stock should be used as a basis for the declaration of dividends. Such a practice may lead to the distribution of depreciation and other reserve monies. We are not adverse to the payment of dividends, but they should be declared against and paid out of earned surplus. The reduction of capital stock does not bring any cash in the company's treasury. If the surplus thus created is used to declare dividends, the cash resources of the company are diminished by the payment of the dividends. We believe that before the authority granted in the following order becomes effective, applicant should file with the Commission the stipulation required in said order.

O R D E R

The Commission having considered applicant's request and being of the opinion that this is not a matter in which a

hearing is necessary, that the money, property or labor to be procured or paid for through the issue of the aforesaid capital stock is reasonably required by the company for the purpose herein stated, and that the expenditures for such purpose are not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED, that Wilmington Transportation Company be, and it is hereby, authorized to issue after the effective date hereof, and prior to October 1, 1934, twenty thousand (20,000) shares of its common capital stock of the par value of Fifty (\$50.00) Dollars per share to its stockholders in exchange for twenty thousand (20,000) shares of its capital stock having a par value of One Hundred (\$100.00) Dollars per share now outstanding, provided that the authority to issue said stock will not become effective until Wilmington Transportation Company has filed with the Commission, in form satisfactory to the Commission, a stipulation duly executed by its Board of Directors wherein and whereby it agrees that it will not, without the consent of the Railroad Commission, declare a dividend, the amount of which is in excess of its earned surplus and that for the purpose of declaring said dividend, the surplus created by the reduction of said capital stock will not be considered by said Wilmington Transportation Company as earned surplus.

IT IS HEREBY FURTHER ORDERED, that within thirty (30) days after the issue of said twenty thousand (20,000) shares of stock Wilmington Transportation Company shall file a report

showing the date when said stock, or any part thereof, was issued, to whom it was issued and the number of shares received in exchange therefor.

DATED at San Francisco, California, this 30¹⁰ day of June, 1934.

C. S. ...

W. J. ...

W. H. ...

Commissioners.