

ORIGINALDecision No. 53242

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
GARDEN CITY TRANSPORTATION CO., LTD.,
for authority to issue stock changing
par value of existing stock and to
issue stock dividend.

Application
No. 38052

O P I N I O N

In this application Garden City Transportation Co., Ltd., reports that it is instituting proceedings (1) to reclassify its authorized capital stock so as to reduce the par value of its shares from \$100 each to \$25 each, and (2) to issue additional shares of stock in the aggregate par value of \$167,325 for distribution to its present shareholders as a dividend. The company seeks the Commission's approval of these transactions.

Applicant is a highway common carrier of general commodities, having its principal place of business in San Jose. The following tabulation, prepared from its filed annual reports, indicates the results of its operations during the last five years and its net investment in operative property and the number of units in service at the end of each year.

	<u>Revenues</u>	<u>Net Income</u>	<u>Oper. Ratio</u>	<u>Net Investment Operative Property</u>	<u>Units of Equip.</u>
1951	\$ 685,041	\$16,720	96.4%	\$136,259	109
1952	715,292	29,712	96.1	125,373	113
1953	789,974	32,668	90.6	128,978	115
1954	856,663	20,548	90.6	175,621	124
1955	1,271,070	49,475	94.7	330,477	177

It appears that applicant has financed itself in part with equity capital, the amount of its outstanding stock and its retained earnings at the close of 1955 being reported as follows:

Common stock	\$ 67,500
Retained earnings	174,032
Retained earnings of Garden City Warehouse Co., Inc., wholly owned:	<u>7,408</u>
Total	<u>\$248,939</u>

The outstanding stock consists of 675 shares having a par value of \$100 each and a book value, based on recorded figures, of approximately \$369 each. The application shows that during the last five years applicant has paid annual dividends equivalent to 4% of the par value of the outstanding stock.

The outstanding shares are held by five individuals. It appears that applicant is considering the issue, in the future, of additional shares to others, and that in order to facilitate the sale of such shares it proposes to amend its articles of incorporation so as to reclassify its \$100 par value stock into \$25 par value stock, to issue four new \$25 par shares in exchange for each \$100 par value share now outstanding, and to capitalize \$167,325 of its retained earnings through the issue of additional shares of \$25 stock, such additional shares to be distributed to the present shareholders as a stock dividend.

Applicant's proposal with respect to its stock does not involve a distribution of assets nor an increase in the total equity capital. Upon completion of the transactions as proposed, the equity capital of \$248,939 will be represented by 9,393 shares of \$25 par value stock instead of by 675 shares of \$100 par value

stock. The par value per share will be reduced from \$100 to \$25 and the book value from \$369 to \$26.50 a share. In effecting the issue of the stock, \$167,325 will be transferred from retained earnings to stated capital and will result in the permanent retention of earned surplus of that amount in the business.

A review of applicant's operating experience clearly shows that in the conduct of its business it has accumulated earnings well in excess of the proposed stock dividend but that the shareholders have chosen to invest such surplus in the business. An order, therefore, properly can be made authorizing the issue of stock against the amount so invested and the distribution of the same to the shareholders as a stock dividend. It is our opinion that the money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required by applicant for the purposes specified herein, that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that an order should be entered granting applicant's requests.

O R D E R

The Commission having considered the above-entitled matter and being of the opinion that a public hearing is not necessary, therefore,

IT IS HEREBY ORDERED as follows:

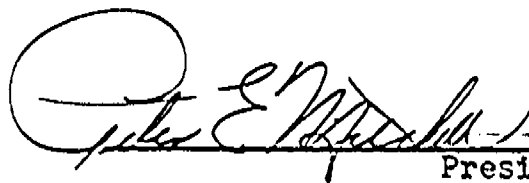
1. Garden City Transportation Co., Ltd., may amend its articles of incorporation, as indicated in this application, and may issue four shares of common stock of the par value of \$25 in exchange for each share of common stock of the par value of \$100 each.

2. Garden City Transportation Co., Ltd., may issue not exceeding \$167,325 par value of its common stock in reimbursement of its treasury for earnings retained in its business and thereafter may distribute such stock to its present stockholders as a dividend.

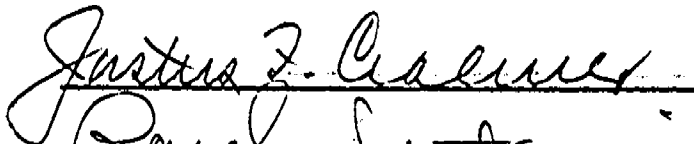
3. Garden City Transportation Co., Ltd., shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

4. The authority herein granted will become effective 20 days from the date hereof.

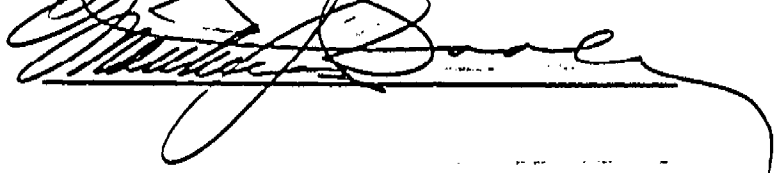
Dated at San Francisco, California, this 19th day of June, 1956.



President







Commissioners