

Decision No. 54192

ORIGINAL

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 additional)
stock.)
-----)

Application No. 38570

OPINION AND ORDER

This is an application for an order authorizing Garden City Transportation Co., Ltd., to issue 1,000 shares of its capital stock, of an aggregate par value of \$25,000, in payment of indebtedness due under outstanding promissory notes.

Applicant in connection with the acquisition of the business and equipment of V. Lippolis Drayage Co. issued to David L. Ditto, a partner of V. Lippolis Drayage Co., its promissory notes in the principal amount of \$53,250. The indebtedness thus incurred is evidenced by five promissory notes, each in the amount of \$10,650, with one note being payable in each of the years 1956 to 1960, inclusive.

David L. Ditto is now employed by applicant as its general manager and has agreed to accept capital stock in payment of the notes of applicant he now holds. Applicant proposes to pay Ditto, in cash, \$8,250 of the \$10,650 note due in 1956 and to liquidate the \$2,400 balance on the 1956 note plus the \$42,600 due on the notes payable in the years 1957 to 1960, inclusive, a total of \$45,000, through the issue to Ditto of 1,000 shares of its capital stock of an aggregate par value of \$25,000.

Applicant, under authority granted by this Commission, recently revised its capital structure so as to capitalize, through

the medium of a stock dividend, retained earnings of \$167,325. It currently has outstanding 9,173 shares of its capital stock having a par value of \$25 per share and an aggregate par value of \$229,325. The book value of the outstanding shares as of August 31, 1956, was approximately \$26.50 per share. It is also noted that applicant, during the last five years, has paid annual dividends equivalent to 4% of the par value of the outstanding stock.

The proposed issue of \$25,000 par value of capital stock in exchange for the cancellation of outstanding indebtedness of \$45,000 will result in applicant receiving the equivalent of \$45 per share for its stock which has a par value of \$25 per share. The issuance of stock in exchange for the cancellation of an outstanding liability will relieve applicant of the obligation of making cash payments of \$10,650 per year for the next four years in addition to \$2,400 during the current year. As a result of the proposed transaction, applicant's cash position should be improved.

The Commission has considered this matter and is of the opinion that a public hearing is not necessary, that the money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required for the purpose specified herein and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Garden City Transportation Co., Ltd., on and after the effective date hereof and on or before March 31, 1957, may issue 1,000 shares of its common stock of the aggregate par value of \$25,000 to David L. Ditto in exchange for the cancellation by him and delivery to applicant of unpaid promissory notes in the amount of \$45,000.

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

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

Dated at Los Angeles, California, this 4th day of DECEMBER, 1956.

[Signature]
 President

[Signature]

[Signature]

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 Commissioners