

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
LEGAL
WORKING FILE**

FROM: TERRI CARLOCK

DATE: JANUARY 6, 2006

**RE: DIRECT COMMUNICATIONS ROCKLAND'S REQUEST TO REISSUE
CAPITAL STOCK; CASE NO. DCM-T-05-2.**

Direct Communications Rockland, Inc. (Direct) filed an Application requesting authority to reissue its capital stock in the amount of 1,000,000 shares. Direct is currently authorized to issue, and has issued, 50,000 shares of common stock. Currently 25,000 shares are issued to each of its shareholders, Leonard May and Marilyn May (Shareholders). Direct requests authority to increase the total number of authorized shares to 1,000,000 consisting of 100,000 shares of voting stock and 900,000 shares of nonvoting stock. The proposed transaction is for estate planning purposes. It does not currently alter the ownership or financial status of Direct.

The Shareholders intend to convert each of their existing 25,000 shares of common stock to 5,000 shares of voting stock and 45,000 shares of nonvoting shares for a total of 50,000 shares each. At that time the total number of issued shares of Direct would be 100,000 shares consisting of 10,000 shares of voting stock and 90,000 shares of nonvoting stock.

STAFF DISCUSSION AND RECOMMENDATION

The proposed reissuance is for estate planning purposes and does not change the current financial status of Direct. As additional shares are issued, additional capital will be appropriately reflected on the balance sheet. This could increase the common equity ratio of Direct. The capital structure for Direct at December 31, 2004 consisted of 17% equity and 83% debt. If the authorized but unissued shares (900,000) were issued at a par value of \$1 with no additional paid-in capital, the common equity ratio could increase to 22%.

Staff recommends approval of the request to reissue Direct's common stock. Staff also recommends adopting the following reporting requirements:

- 1) Provide a "Report of Securities Issued".
- 2) Report the voting and nonvoting shares of stock issued and outstanding on an annual basis. This can be accomplished by expanding the detail Direct includes in the Capital Stock section of the Annual Report (currently page 13) to include the required footnote information for all capital stock issuances not only those when stock is sold.

COMMISSION DECISION

Should the Application be approved to reissue the common stock as described above?

Should Staff's recommended reporting requirements be adopted?



Terri Carlock

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