

4803.06

MAR 30 1937

Maryn Scudder Library

NEW YORK CITY OMNIBUS
CORPORATION AND
SUBSIDIARIES

(MADISON AVENUE COACH COMPANY, INC.
AND EIGHTH AVENUE COACH CORPORATION)

FINANCIAL STATEMENTS

For the Year Ended
DECEMBER 31, 1936

COLUMBIA
UNIVERSITY
LIBRARY

ARTHUR ANDERSEN & CO.
ACCOUNTANTS AND AUDITORS
67 WALL STREET
NEW YORK

AUDITORS' CERTIFICATE

To the Board of Directors,
New York City Omnibus Corporation:

We have made an examination of the consolidated balance sheet of New York City Omnibus Corporation (a New York corporation) and subsidiaries as at December 31, 1936 and of the statement of combined income of all properties now owned from January 1, 1936, or from commencement of motor bus operations in the instances where service was instituted subsequent to that date, to December 31, 1936. In connection therewith, we examined or tested accounting records of the companies and other supporting evidence and obtained information and explanations from officers and employees of the companies; we also made a general review of the accounting methods and of the operating and income accounts for the period but we did not make a detailed audit of the transactions.

The accompanying statement of combined income should not be considered as indicative of future revenues and expenses on an annual basis for the following reasons:

- (1) Service on a majority of the routes now operated was instituted subsequent to January 1, 1936.
- (2) No provision is included in the statement for Federal Income Taxes which would have accrued had the properties now owned directly by New York City Omnibus Corporation been operated for the account of that company from February 12, 1936 to December 24, 1936.
- (3) Only \$20,846.99 of the provision for amortization for the year 1936 of the account entitled "Amount to be amortized on basis of Recapture Contract in monthly installments" has been charged against income. The remainder of such amortization for the year (\$204,074.17) was charged to a balance sheet account entitled "Credit in respect of amount to be amortized on basis of Recapture Contract", for the reason that it applied prior to the operation of the properties for the account of New York City Omnibus Corporation.
- (4) The statement reflects interest charges on bonds assumed from New York Railways Corporation, only since November 25, 1936, the date of assumption thereof.

In our opinion, based upon the examination referred to above, the accompanying consolidated balance sheet and statement of combined income fairly present, in accordance with accepted principles of accounting consistently maintained by the companies during the period, the financial position of the companies at December 31, 1936, and, subject to the comments in the preceding paragraph, the combined results of their operations for the year ended that date.

New York, N. Y.,
March 10, 1937.

ARTHUR ANDERSEN & CO.

NEW YORK CITY OMNIBUS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1936

ASSETS

CURRENT ASSETS:

Cash in banks and on hand.....	\$ 767,989.08	
Cash deposited for bond interest due January 1, 1937.....	22,129.53	
Accounts and interest receivable.....	16,109.95	
Materials and supplies, at cost—quantities based upon detail stores records.....	144,381.94	\$ 950,610.50

SPECIAL DEPOSITS—Representing \$658,724.39 of municipal securities, at cost and \$129,628.90 of cash; deposited with State of New York Industrial Commission under Workmen's Compensation Law, with The City of New York under franchise agreements and with depositaries as a reserve fund for injuries and damages		788,353.29
--	--	------------

INVESTMENTS IN AND ADVANCES TO AFFILIATED COMPANIES, AT COST—Including capital stock of Street Railway Liquidating Corporation—100% owned (see Note e).....		28,500.00
---	--	-----------

FIXED ASSETS:

Land and buildings, stated at value accepted by the Transit Commission of the State of New York plus subsequent additions at cost.....	\$4,365,145.58	
Equipment at cost to respective owning companies—		
Portion subject to conditional sales contracts, under the terms of which \$6,211,045.98 of the purchase price was unpaid at December 31, 1936, per contra.....	\$8,556,174.31	
Other equipment, etc.....	352,392.30	8,908,566.61
Organization expense (for which a reserve for amortization is being provided)	284,363.30	13,558,075.49

DEFERRED CHARGES AND PREPAID EXPENSES:

Prepaid insurance, taxes, etc.....	\$ 31,653.08	
Construction and repair work in process.....	17,859.86	
Miscellaneous deferred charges, etc.....	3,793.29	
Payment to The City of New York under franchise contract of Eighth Avenue Coach Corporation (for which a reserve for amortization is being provided)	475,000.00	528,306.23

AMOUNT TO BE AMORTIZED ON BASIS OF RECAPTURE CONTRACT IN MONTHLY INSTALLMENTS commencing on January 29, 1935 and ending on December 26, 1958, stated on basis of amount which, less prior amortization, is provided to be paid by The City of New York in the event it shall elect to exercise right granted by the Recapture Contract between The City of New York, New York City Omnibus Corporation and Madison Avenue Coach Company, Inc., dated January 29, 1935 (see contra and Note a).....

\$7,500,000.00

Less—Amortization by New York City Omnibus Corporation prior to December 25, 1936 (date of commencement of operations for its own account).....	388,879.35	
BALANCE.....	\$7,111,120.65	

Less—Amortization charged to income of the respective companies during 1935 and 1936.....	36,701.40	7,074,419.25
---	-----------	--------------

\$22,928,264.76

NEW YORK CITY OMNIBUS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1936

LIABILITIES

CURRENT LIABILITIES (Not including equipment purchase obligations of \$1,051,910.52 due in 1937) :			
Accounts payable, including accrued payroll.....	\$ 351,277.17		
Accrued taxes—			
Federal income, subject to review by U. S. Treasury Department.....	81,660.33		
General taxes.....	98,004.51		
Accrued interest, for which \$22,129.53 has been deposited per contra.....	36,865.87		\$ 567,807.88
<hr/>			
EQUIPMENT PURCHASE OBLIGATIONS (\$1,051,910.52 payable in 1937) payable in monthly installments—secured by equipment being purchased under conditional sales contracts (see Note c).....			6,211,045.98
<hr/>			
BONDS ASSUMED (Originally issued by New York Railways Corporation) :			
Sixth Avenue Purchase Mortgage Forty Year 5% Gold Bonds, due January 1, 1965	\$ 286,015.00		
Central Crosstown Purchase Bonds, 6%, due May 1, 1940.....	115,000.00		
Prior Lien Mortgage 6% Gold Bonds, Series "A", due July 1, 1958.....	3,555,306.48		3,956,321.48
<hr/>			
RESERVES :			
Reserve for depreciation, etc.....	\$1,152,236.72		
Reserve for injuries and damages.....	389,815.19		
Reserve for amortization of payment under franchise contract of Eighth Avenue Coach Corporation.....	54,357.87		1,596,409.78
<hr/>			
CAPITAL STOCK (See Note d) :			
Authorized 700,000 shares, without par value—			
Issued and outstanding 458,450 shares stated at.....	\$2,630,993.98		
Reserved for exercise of warrants to be issued to holders of New York Railways Corporation preferred stock—42,633 shares.....			2,630,993.98
<hr/>			
DEFERRED CREDIT, arising from contributions by New York Railways Corporation of receivables from Madison Avenue Coach Company, Inc. and Eighth Avenue Coach Corporation.....			628,261.85
<hr/>			
CREDIT IN RESPECT OF AMOUNT TO BE AMORTIZED ON BASIS OF RECAPTURE CONTRACT, per contra.....	\$7,500,000.00		
Less—Amount of such contra item which has been amortized by New York City Omnibus Corporation prior to December 25, 1936, date of commencement of operations for its own account, charged hereagainst in accordance with a resolution of the Board of Directors.....	388,879.35		7,111,120.65
<hr/>			
CAPITAL SURPLUS (See Note b) :			
Arising principally from certain rights and benefits contributed or to be contributed by New York Railways Corporation per agreement of transfer dated December 24, 1936.....	\$ 753,342.31		
Less—Miscellaneous expenses of New York City Omnibus Corporation applicable prior to December 25, 1936, date of commencement of operations for its own account, charged hereagainst in accordance with a resolution of the Board of Directors.....	538,117.98		215,224.33
<hr/>			
SURPLUS OF NEW YORK CITY OMNIBUS CORPORATION SINCE COMMENCEMENT OF OPERATIONS FOR ITS OWN ACCOUNT (See accompanying statement).....			11,078.83
			<u>\$22,928,264.76</u>

(See following pages for notes which are an integral part of the foregoing balance sheet)

NOTES TO CONSOLIDATED BALANCE SHEET:

- (a) Under the Agreement of Transfer dated December 24, 1936, New York Railways Corporation transferred to New York City Omnibus Corporation (1) all rights and claims arising from the abandonment of the perpetual street railway franchises and the conveyance of street railway properties to The City of New York, (2) all rights and claims to any benefits under the Recapture Contract dated January 29, 1935, between The City of New York, New York City Omnibus Corporation and Madison Avenue Coach Company, Inc. (a subsidiary company) and (3) all rights and claims to the routes of the New York City Omnibus Corporation, subject to the lien of the Prior Lien Bonds. Under the Recapture Contract, the City at its election has the irrevocable right, after ten years from the date of the contract, to terminate the franchises of the New York City Omnibus Corporation and Madison Avenue Coach Company, Inc., (which otherwise terminate on December 26, 1958) and to purchase the property and equipment used in the operation of the routes (other than real estate, cash, receivables, and similar items, which are to be retained by the companies) upon payment by the City of (1) the balance which shall remain of the amount of \$7,500,000 after being reduced by amortization from the date of the Recapture Contract to the date of recapture upon a cumulative sinking fund basis calculated with interest at the rate of 3% per annum, compounded annually, so that at the end of the twenty-five year term of the bus franchises said amount of \$7,500,000 would have been completely amortized, and (2) the value at the date of recapture (to be determined in the manner set forth in the Recapture Contract) of the property and equipment so to be purchased. With further reference to franchises, the franchise of Eighth Avenue Coach Corporation, another subsidiary company, covers a period to October 16, 1945, subject to termination on February 1, 1945 in the event The City of New York exercises its right to purchase the property and equipment of New York City Omnibus Corporation and Madison Avenue Coach Company, Inc.
- (b) Capital surplus includes \$368,220.62 arising from cancellation of a liability formerly owing to the Fifth Avenue Coach Company. At December 31, 1936, this liability had not been canceled but since that date the rights formerly held by the Fifth Avenue Coach Company in respect thereto have been acquired by New York Railways Corporation and this liability has been released and discharged pursuant to the Agreement of Transfer. With further reference to such agreement it was also provided that New York Railways Corporation would contribute certain receivables of Madison Avenue Coach Company, Inc. and Eighth Avenue Coach Corporation. A portion of the receivables so contributed were not actually transferred to New York City Omnibus Corporation until subsequent to December 31, 1936.
- (c) At December 31, 1936, the interest rate on these obligations was 6% per annum. However, the companies advise that arrangements have been made, subject to the approval of the Transit Commission of the State of New York, whereby the annual interest rate will be reduced to 4¼% retroactive to November 9, 1936.
- (d) The 458,450 shares outstanding at December 31, 1936, include 10,000 shares which, as provided by the Plan of Readjustment and Motorization of New York Railways Corporation, are set aside for delivery to Fifth Avenue Coach Company as compensation for its agreements under such Plan. If it is determined by the Court that a lesser number of shares will be delivered to Fifth Avenue Coach Company as compensation, the remainder of the 10,000 shares will be returned to New York City Omnibus Corporation for cancellation.

The 42,633 shares of reserved stock are for issue upon the exercise of warrants which are to be issued to the holders of New York Railways Corporation preferred stock, under the Plan of Readjustment and Motorization of that company. Under such Plan the warrants will entitle the holders thereof to purchase stock at \$17.50 per share over a period of 10 years from date of issue. In this connection the order of

NOTES TO CONSOLIDATED BALANCE SHEET (Continued) :

the Transit Commission of the State of New York provided that the proceeds received from such sale of capital stock shall be used to retire outstanding Prior Lien bonds or other funded debt of New York City Omnibus Corporation.

- (e) As owner of all of the capital stock of Street Railway Liquidating Corporation, which was organized to carry out certain steps under the Plan of Readjustment and Motorization, New York City Omnibus Corporation may, on consummation of the Plan and the partial or complete liquidation of the former company, receive assets in excess of \$1,000 which is the stated value of the stock. However, it should be noted that in the event there shall be any reorganization or administration expenses which shall not be paid out of certain funds to be provided therefor and which the Street Railway Liquidating Corporation shall not be able to pay in full, New York City Omnibus Corporation has agreed upon the direction of the Court to use all reasonable efforts to obtain the consent and approval of the Transit Commission to the extent required for the lawful use of its revenues and assets for the payment of such claims. However, in the opinion of the management, the Street Railway Liquidating Corporation and New York Railways Corporation should have sufficient funds to pay the reorganization expenses, etc. mentioned above.

NEW YORK CITY OMNIBUS CORPORATION AND SUBSIDIARIES

STATEMENT OF COMBINED INCOME OF ALL PROPERTIES NOW OWNED FROM JANUARY 1, 1936, OR FROM COMMENCEMENT OF MOTOR BUS OPERATIONS IN THE INSTANCES WHERE SERVICE WAS INSTITUTED SUBSEQUENT TO THAT DATE, TO DECEMBER 31, 1936

(Including revenues and expenses of the properties prior to their acquisition by or operation for
the account of New York City Omnibus Corporation)

	Madison Avenue Coach Company, Inc. and Eighth Avenue Coach Corporation (Combined) for the Year Ended December 31, 1936 (See Note 3)	New York City Omnibus Corporation for the Period from February 12, 1936 to December 31, 1936	Intercompany Eliminations	Combined
GROSS OPERATING REVENUES:				
Passenger	\$3,246,647.92	\$5,392,760.64	\$	\$8,639,408.56
Advertising and miscellaneous.....	13,799.27	21,731.86	400.00	35,131.13
	<u>\$3,260,447.19</u>	<u>\$5,414,492.50</u>	<u>\$ 400.00</u>	<u>\$8,674,539.69</u>
OPERATING EXPENSES AND TAXES:				
Maintenance	\$ 452,556.59	\$ 491,830.63	\$	\$ 944,387.22
Depreciation	172,783.79	679,236.60	62,813.52	914,833.91
Traffic and transportation expense	1,010,633.59	1,722,005.37	.....	2,732,638.96
General expense	473,660.35	798,166.23	86,754.71	1,185,071.87
Taxes:				
Federal income tax (see auditors' certificate and Note 2)	81,219.85	.....	.....	81,219.85
General taxes (including \$47,845.56 representing amortization of payment under franchise contract of Eighth Avenue Coach Corporation considered by company as additional franchise tax).....	427,128.78	675,549.10	.....	1,102,677.88
	<u>\$2,617,982.95</u>	<u>\$4,366,787.93</u>	<u>\$23,941.19</u>	<u>\$6,960,829.69</u>
NET OPERATING INCOME.....	\$ 642,464.24	\$1,047,704.57	\$23,541.19	\$1,713,710.00
OTHER INCOME (Net).....	\$ 6,383.95	\$ 3,974.09	\$	\$ 10,358.04
TOTAL.....	\$ 648,848.19	\$1,051,678.66	\$23,541.19	\$1,724,068.04
INTEREST DEDUCTIONS:				
Interest on equipment purchase obligations.....	\$ 90,662.15	\$ 270,519.01	\$23,541.19	\$ 384,722.35
Interest on bonds assumed from New York Railways Corporation since November 25, 1936, date of assump- tion thereof .....	.....	22,800.46	.....	22,800.46
	<u>\$ 90,662.15</u>	<u>\$ 293,319.47</u>	<u>\$23,541.19</u>	<u>\$ 407,522.81</u>
BALANCE	\$ 558,186.04	\$ 758,359.19	\$	\$1,316,545.23
<i>Deduct</i> —Amount charged to income during the year in re- spect of provision for amortization of "Amount to be amor- tized on basis of Recapture Contract in monthly in- stallments". (The provision for the entire year amounted to \$224,921.16, of which \$204,074.17 was charged to a balance sheet account entitled "Credit in respect of amount to be amortized on basis of Recapture Contract" for the reason that it applied prior to the operation for the account of New York City Omnibus Corporation of the directly owned property of that company).....	\$ 17,295.72	\$ 3,551.27	\$	\$ 20,846.99
BALANCE	<u>\$ 540,890.32</u>	<u>\$ 754,807.92</u>	<u>\$</u>	<u>\$1,295,698.24</u>
<i>Deduct</i> —Payments made to New York Railways Corpora- tion and its assignee, Street Railway Liquidating Corpora- tion, in respect of the net income of New York City Omni- bus Corporation (before provision for amortization of "Amount to be amortized on basis of Recapture Contract in monthly installments", and without deduction for Fed- eral income taxes, inasmuch as it is believed that no pro- vision therefor is required) for the period from February 12, 1936 to December 24, 1936 inclusive, during which period the properties were operated for the benefit and account of such companies, pursuant to order of the United States District Court for the Southern District of New York .....	.....	743,729.09	.....	.....
SURPLUS BALANCE—December 31, 1936.....	\$	\$ 11,078.83	\$	\$

Italic figures denote red on original.

NOTES:

- (1) It should be noted that service on a majority of the routes now operated was instituted subsequent to January 1, 1936.
- (2) The foregoing provision for Federal income taxes represents the amount provided by the subsidiary companies for normal taxes only. It is believed that the subsidiaries have distributed all taxable net income which would have been subject to surtaxes and that no provision for either normal or surtaxes is required for New York City Omnibus Corporation.
- (3) The stocks of these companies were acquired by New York City Omnibus Corporation on December 24, 1936 but for the purpose of the accompanying statements the effective date of acquisition thereof is considered to be December 31, 1936 and therefore the net income of such subsidiaries from December 25 to 31 inclusive is not reflected in the surplus balance shown above.

New York City
Omnibus Corporation



Annual Report
To The
Stockholders



For the Year Ended
December 31, 1937

New York City Omnibus Corporation

DIRECTORS

GEORGE J. ATWELL	JOHN C. JAY
HARRY BRONNER	DAVID H. KNOTT
EDWARD N. D'ANCONA*	JOHN A. RITCHIE
OTIS A. GLAZEBROOK, JR.	HUGH J. SHEERAN*
JOHN D. HERTZ	HAROLD E. TALBOTT, JR.
JOHN D. HERTZ, JR.	WILLIS D. WOOD

EXECUTIVE COMMITTEE

HARRY BRONNER	JOHN C. JAY
OTIS A. GLAZEBROOK, JR.	JOHN A. RITCHIE
JOHN D. HERTZ	HUGH J. SHEERAN*

OFFICERS

GENERAL OFFICES, NO. 123 WEST 146TH STREET, NEW YORK CITY

JOHN A. RITCHIE	<i>Chairman of the Board</i>
JOHN D. HERTZ	<i>Chairman of Executive and Finance Committee</i>
HUGH J. SHEERAN*	<i>President</i>
JOSEPH T. MCCARTHY	<i>Vice-President</i>
EDMUND C. COLLINS	<i>Secretary and Treasurer</i>
T. GEORGE WALKER	<i>Asst. Secretary and Asst. Treasurer</i>
STEPHEN C. DUGGAN	<i>Auditor</i>
HENRY J. SMITH	<i>General Attorney</i>

Stock Transfer Agent

THE COMMERCIAL NATIONAL BANK AND TRUST COMPANY OF NEW YORK	
Stock Registrar	MANUFACTURERS TRUST COMPANY
Registrar, Prior Lien Mortgage	CENTRAL HANOVER BANK AND TRUST COMPANY
Registrar, Sixth Avenue Purchase Mortgage	CENTRAL HANOVER BANK AND TRUST COMPANY

Annual Stockholders' Meeting, First Tuesday in June

*Deceased

New York City Omnibus Corporation

123 West 146th Street
New York, N. Y.

March 7, 1938

To the Stockholders of

NEW YORK CITY OMNIBUS CORPORATION:

This report to the stockholders includes the results of operation for New York City Omnibus Corporation and its wholly owned subsidiaries, Madison Avenue Coach Company, Inc. and Eighth Avenue Coach Corporation, for the year ended December 31, 1937, and also shows the financial condition of these companies.

CONSOLIDATED INCOME

The following statement has been condensed from the consolidated income account of New York City Omnibus Corporation, Madison Avenue Coach Company, Inc. and Eighth Avenue Coach Corporation for the year ended December 31, 1937, as certified by Messrs. Arthur Andersen & Co.:

Operating Revenues	\$11,552,019.57
Operating Expenses	6,899,347.31
Net Operating Revenues.....	\$ 4,652,672.26
Taxes	1,952,315.40
Net Earnings from Operations.....	\$ 2,700,356.86
Other Income (net).....	25,641.74
Gross Income	\$ 2,725,998.60
Interest and Other Deductions.....	469,378.68
Net income before provision for amortization of "amount to be amortized on basis of the Recapture Contract in monthly installments" (see footnote to consolidated balance sheet).....	\$ 2,256,619.92
Deduct—Provision for such amortization.....	231,668.84
Net income after provision for such amortization.....	\$ <u>2,024,951.08</u>

DIVIDENDS

During the calendar year 1937, New York City Omnibus Corporation paid two special dividends to its stockholders aggregating \$4.90 per share. A special dividend of \$2.40 per share was paid on October 15, 1937 to the stockholders of record on October 6th on which date there were 456,685 shares outstanding; and a further special dividend of \$2.50 per share was paid on December 15, 1937 to stockholders of record on December 7th, the distribution on this occasion being made to the holders of 457,480 shares. The total amount so distributed was \$2,239,744.

The Company desires to call attention to the fact that, on the basis of the Federal Income Tax Returns to be filed by the Company, a substantial portion of its revenues should be deemed for tax purposes to be a return of capital and therefore should not be taxable. There appears on the Consolidated Balance Sheet submitted herewith, under the heading "Amount to be amortized on basis of Recapture Contract in monthly installments commencing on January 29, 1935 and ending on December 26, 1958," the amount of \$6,842,750.41 (being \$7,500,000 less \$657,249.59 which latter figure is "Amortization for the period from date of contract January 29, 1935 to December 31, 1937"). The amount of \$7,500,000 is the amount which less prior amortization is provided to be paid by the City of New York in the event it shall elect to exercise the right granted by the Recapture Contract between the City of New York, New York City Omnibus Corporation and Madison Avenue Coach Company, Inc., dated January 29, 1935. (See footnote to Consolidated Balance Sheet). In the consolidated income account sub-

mitted herewith, this amount has been amortized upon the cumulative sinking fund basis specified in the Recapture Contract, and this results in the \$231,668.84 "provision for amortization." In its corporate Federal income tax return for 1937, the Company will claim that its "tax cost base" should be computed upon the basis of the aggregate cost of street railway property and franchises to predecessor companies, which will produce an amount substantially in excess of \$7,500,000, and also that it is entitled for tax purposes to amortize such "tax cost base" on a straight line basis over the life of the bus franchise. This deduction to be claimed for purpose of Federal income tax will therefore be much in excess of \$231,668.84. The determination of the amount of this deduction will involve difficult questions of fact and law and there will therefore be a considerable delay before the Treasury Department has completed its audit and a final determination has been made. If the claims of the Company are eventually sustained, a substantial portion of the distribution received by stockholders during 1937 may be free from Federal taxes to such stockholders. Stockholders will be advised from time to time as to any rulings which may be issued by the Treasury Department on the question of the extent to which the distributions made to stockholders during 1937 shall be determined to be non-taxable.

TRAFFIC

The year 1937 was the first full calendar year during which omnibus operation was carried on upon all the present routes of the corporation and its subsidiaries. It will be recalled that from time to time during the first half of 1936 New York City Omnibus Corporation substituted omnibus operation upon the several routes on which its predecessor company, New York Railways Corporation, had theretofore conducted street railway operation, and also installed omnibus operation on four crosstown routes not formerly operated with street cars.

The total passenger revenues of New York City Omnibus Corporation, Madison Avenue Coach Company, Inc. and Eighth Avenue Coach Corporation for the calendar year 1937 amounted to \$11,501,410.89 representing an increase of 21½% as compared with the total passenger revenues of the three companies during 1936 plus the passenger revenues received by New York Railways Corporation from its street railway operation.

The total number of passengers for all lines during 1937 including transfer passengers was 241,591,531.

WAGE AGREEMENT

On June 22, 1937 the employees of New York City Omnibus Corporation, Madison Avenue Coach Company, Inc. and Eighth Avenue Coach Corporation, other than clerical and supervisory employees, held an election at which the Transport Workers Union of America, affiliated with the Committee for Industrial Organization, was selected as the bargaining agency to represent them in negotiations with the management with respect to wages and working conditions.

Subsequent conferences with the Union officials resulted in an agreement for a closed shop and an increase in the wage scale. The provisions of such contract are effective until December 31, 1938.

TAXES

Taxes paid by New York City Omnibus Corporation and its subsidiaries absorb a substantial part of their total revenue and are a heavy burden on the operation. The total amount of taxes (including franchise payments) for the year ended December 31, 1937 was \$1,952,315.40, which is 16.9% of the total revenue and 9.4¢ per bus mile operated.

For the information of the stockholders of the Company, a consolidated statement of taxes for the year ended December 31, 1937, appears below:

THE FOLLOWING TAXES UPON THE OPERATIONS OF THIS COMPANY AND OF ITS OPERATING SUBSIDIARIES FOR 1937 HAVE BEEN IMPOSED BY LEGISLATION ENACTED DURING RECENT YEARS:

New York City Utilities	\$241,140.82	
New York City Sales	24,053.34	\$ 265,194.16
New York State Utilities	114,384.10	
New York State Gasoline	295,939.78	
New York State Unemployment	73,362.76	483,686.64
Federal Gasoline	81,650.94	
Old Age Pension.....	36,972.44	
Unemployment	7,612.55	126,235.93
TOTAL		\$ 875,116.73

IN ADDITION TO THE ABOVE TAXES OF RECENT ORIGIN, THE FOLLOWING TAXES WERE APPLICABLE FOR THE YEAR 1937:

New York City

Real Estate	\$113,656.80	
Franchise	477,458.56	
Tri-Borough Bridge Tolls.....	38,898.25	630,013.61

New York State

Franchise, Gross Earnings and Licenses.....		93,133.27
---	--	-----------

Federal

Income Tax (as per provision made on books) and Capital Stock Tax, etc.....		354,051.79
--	--	------------

TOTAL ALL TAXES.....		<u>\$1,952,315.40</u>
----------------------	--	-----------------------

Your Company has sustained a great loss in the death on February 24, 1938, of Mr. Hugh J. Sheeran, the President of the New York City Omnibus Corporation, and also the President of its wholly owned subsidiaries, the Madison Avenue Coach Company, Inc. and Eighth Avenue Coach Corporation.

For nearly two score years Mr. Sheeran has been actively associated in the operation of your Company or of its predecessors in interest. His experience in transportation affairs in this city, his wide knowledge of operating conditions, and his great ability as an executive made his advice invaluable in connection with the solution of the complicated legal, financial and operating problems involved in substituting motor buses for street cars which were formerly operated along the routes on which your Company and its wholly owned subsidiaries now furnish transportation service to the people of this city.

This report would be both incomplete and lacking in appreciation without a tribute to the service which Mr. Sheeran has rendered to you, and without mention of the sincere regard and esteem in which he was held by all who have been associated with him in the operation of your property.

For the present Mr. Sheeran's duties will be assumed by the undersigned.

By order of the Board of Directors,

Dated, March 7, 1938.

Respectfully submitted,



Chairman of the Board.

New York City Omnibus

CONSOLIDATED BALANCE

ASSETS

CURRENT ASSETS:

Cash	\$ 576,452.21	
Marketable municipal securities, at cost (quoted value \$233,552)	251,131.50	
Receivables	24,216.67	
Inventories of supplies and repair parts, at cost; quantities and condition determined by the companies	105,285.85	\$ 957,086.23

PREPAID INSURANCE, TAXES, LICENSES, ETC..... 48,379.29

SPECIAL DEPOSITS:

Represented by \$669,126.89 of municipal securities, at cost (quoted value \$671,844) and \$8,633.31 of cash		677,760.20
--	--	------------

INVESTMENTS IN AND ADVANCES TO AFFILIATED COMPANIES, AT COST:

Including capital stock of Street Railway Liquidating Corporation, 100% owned—(equities in underlying book values \$933,702 after deducting reserves based on estimated realization)		213,500.00
--	--	------------

PROPERTY AND EQUIPMENT:

Land and buildings, stated at value accepted by the Transit Commission of the State of New York plus subsequent additions at cost	\$ 4,482,957.55	
Equipment at cost to respective owning companies:		
Motor coaches subject to equipment purchase obligations	\$9,166,841.27	
Service equipment, tools, furniture and fixtures, etc.	460,781.21	9,627,622.48
		14,110,580.03

AMOUNT TO BE AMORTIZED ON BASIS OF RECAPTURE CONTRACT IN MONTHLY

INSTALLMENTS COMMENCING ON JANUARY 29, 1935 AND ENDING ON DECEMBER 26, 1958, stated on basis of amount which, less prior amortization, is provided to be paid by The City of New York in the event it shall elect to exercise right granted by the Recapture Contract between The City of New York, New York City Omnibus Corporation and Madison Avenue Coach Company, Inc. dated January 29, 1935 (see footnote)	\$ 7,500,000.00	
Less—Amortization for the period from date of contract, January 29, 1935 to December 31, 1937	657,249.59	6,842,750.41

PAYMENT (\$475,000) TO THE CITY OF NEW YORK UNDER FRANCHISE CONTRACT OF EIGHTH AVENUE COACH CORPORATION, less amount (\$102,203.43) amortized to date..... 372,796.57

ORGANIZATION EXPENSE, ETC., BEING AMORTIZED..... 304,020.74

DEFERRED AND UNADJUSTED ITEMS..... 48,940.83

\$23,575,814.30

NOTE:

Under the Agreement of Transfer dated December 24, 1936, New York Railways Corporation transferred to New York City Omnibus Corporation (1) all rights and claims arising from the abandonment of the proposed street railway franchises and the conveyance of street railway properties to The City of New York (2) all rights and claims to any benefit under the Recapture Contract dated January 29, 1935, between The City of New York, New York City Omnibus Corporation and Madison Avenue Coach Company, Inc. (a subsidiary company) and (3) all rights and claims to the routes of the New York City Omnibus Corporation, subject to the lien of the Prior Lien Bond. Under the Recapture Contract, the City at its election has the irrevocable right, after ten years from the date of the contract, to terminate the franchise of the New York City Omnibus Corporation and Madison Avenue Coach Company, Inc. (which otherwise terminate on December 26, 1958) and to purchase the property and equipment used in the operation of the routes other than real estate, cash, receivables, and similar items, which are to be retained by the company) upon payment by the City of (1) the balance which shall remain of the amount of \$7,500,000 after being reduced by amortization from the date of the Recapture Contract to the date of recapture upon a cumulative sinking fund basis calculated with interest at the rate of 3% per annum, compounded annually, so that at the end of the twenty-five year term of the bus franchises said amount of \$7,500,000 would have been completely amortized, and (2) the value at the date of recapture to be determined in the manner set forth in the Recapture Contract) of the property and equipment so to be purchased. With further reference to franchises, the franchise of Eighth Avenue Coach Corporation, another subsidiary company, covers a period to October 16, 1945, subject to termination on February 1, 1945 in the event The City of New York exercises its right to purchase the property and equipment of New York City Omnibus Corporation and Madison Avenue Coach Company, Inc.

The aforementioned amount of \$7,500,000 has been reflected in the consolidated balance sheet by contra credit to an account entitled "Credit in respect of amount to be amortized on basis of Recapture Contract" as approved by the Board of Directors. Transfers are made monthly from this account to capital surplus in amounts equal to the amortization under such contract.

Corporation and Subsidiaries

HEET, DECEMBER 31, 1937

LIABILITIES

CURRENT LIABILITIES (not including equipment purchase obligations of \$1,128,134.52 due prior to December 31, 1938):			
Accounts payable (including accrued pay roll).....	\$	372,945.98	
Accrued Federal income taxes (subject to review by U. S. Treasury Department)		312,173.71	
Accrued state, local and miscellaneous Federal taxes.....		156,824.36	
Accrued interest	\$124,164.00		
Less—Deposit for payment of interest due January 1, 1938....	113,779.00	10,385.00	\$ 852,329.05
EQUIPMENT PURCHASE OBLIGATIONS, 4¼%, payable in monthly installments (\$1,128,134.52 due in 1938)—secured by equipment being purchased under conditional sales contracts.....			
			5,686,351.58
BONDS ASSUMED (Originally issued by New York Railways Corporation):			
Prior Lien Mortgage 6% Gold Bonds, Series "A", due July 1, 1958 (secured in part by capital stocks of subsidiaries which have been eliminated in the consolidated balance sheet).....	\$	3,554,306.48	
Sixth Avenue Purchase Mortgage Forty-Year 5% Gold Bonds, due January 1, 1965		286,015.00	3,840,321.48
RESERVES:			
Depreciation of property and equipment.....	\$	2,196,128.50	
Injuries and damages and workmen's compensation.....		353,922.10	
Miscellaneous reserves		29,069.87	2,579,120.47
CAPITAL STOCK:			
Authorized 700,000 shares, without par value—issued and outstanding 457,496 shares	\$	2,666,798.98	
Reserved for exercise of option warrants which entitle the holders thereof to purchase stock at \$17.50 per share until March 1, 1947—40,587 shares.....	—		2,666,798.98
DEFERRED CREDIT, arising from contributions by New York Railways Corporation of receivables from Eighth Avenue Coach Corporation.....			
			379,308.88
CREDIT IN RESPECT OF AMOUNT TO BE AMORTIZED ON BASIS OF RECAPTURE CONTRACT, per contra:			
Balance per previous report \$7,111,120.65 less amount equal to amortization (\$268,370.24) credited to capital surplus.....			6,842,750.41
CAPITAL SURPLUS, arising principally from certain rights and benefits contributed by New York Railways Corporation per agreement of transfer dated December 24, 1936			
			707,828.67
EARNED SURPLUS			
			21,004.78
			<u>\$23,575,814.30</u>

AUDITORS' CERTIFICATE

To the Board of Directors,
New York City Omnibus Corporation:

We have made an examination of the consolidated balance sheet of New York City Omnibus Corporation (a New York corporation) and subsidiaries as at December 31, 1937 and of the statement of consolidated income and surplus for the year ended that date. In connection therewith, we examined or tested accounting records of the companies and other supporting evidence and obtained information and explanations from officers and employees of the companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

In our opinion, based upon the examination referred to above, the accompanying consolidated balance sheet and related statement of income and surplus fairly present, in accordance with accepted principles of accounting consistently maintained by the companies during the year under review, the financial position of the companies at December 31, 1937 and the results of their operations for the year ended that date.

New York, N. Y.,
February 5, 1938.

ARTHUR ANDERSEN & CO.
Accountants and Auditors.

New York City Omnibus Corporation and Subsidiaries

STATEMENT OF CONSOLIDATED INCOME AND SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1937

CONSOLIDATED INCOME

OPERATING REVENUES:		
Coach lines	\$11,501,410.89	
Advertising and miscellaneous.....	50,608.68	\$11,552,019.57
OPERATING EXPENSES:		
Maintenance	\$ 1,260,119.45	
Depreciation	1,062,493.33	
Traffic and transportation.....	3,613,528.91	
General	963,205.62	6,899,347.31
NET OPERATING REVENUES.....		\$ 4,652,672.26
TAXES:		
State, local and miscellaneous Federal taxes (including gasoline taxes).....	\$ 1,639,917.04	
Provision for Federal income tax.....	312,398.36	
Provision for Federal surtax on undistributed profits.....	—	1,952,315.40
NET EARNINGS FROM OPERATIONS.....		\$ 2,700,356.86
OTHER INCOME (NET).....		25,641.74
GROSS INCOME		\$ 2,725,998.60
INTEREST AND OTHER DEDUCTIONS:		
Interest on equipment purchase obligations.....	\$ 237,483.92	
Interest on bonds	230,087.63	
Federal tax on bond interest, etc.....	1,807.13	469,378.68
NET INCOME before provision for amortization of "amount to be amortized on basis of the Recapture Contract in monthly installments" (see footnote to consolidated balance sheet)....		\$ 2,256,619.92
<i>Deduct:</i> Provision for such amortization.....		231,668.84
NET INCOME after provision for such amortization.....		\$ 2,024,951.08

CONSOLIDATED SURPLUS

	Capital Surplus	Earned Surplus
BALANCE, DECEMBER 31, 1936.....	\$ 215,224.33	\$ 11,078.83
<i>Add:</i>		
Net income for year ended December 31, 1937, after provision for amortization, as above		2,024,951.08
Amounts transferred from "credit in respect of amount to be amortized on basis of Recapture Contract" representing the amortized portion thereof...	268,370.24	
Amounts transferred from "Deferred Credit..." representing payments by Madison Avenue Coach Company, Inc. and Eighth Avenue Coach Corporation on account of receivables contributed by New York Railways Corporation	248,952.97	
Distribution received from Street Railway Liquidating Corporation (a 100% owned subsidiary company not consolidated)—declared out of that company's paid-in surplus	200,000.00	
	\$ 932,547.54	\$ 2,036,029.91
<i>Deduct:</i> Dividends (charged to earned surplus of New York City Omnibus Corporation to the extent available at December 31, 1937—balance to capital surplus) ..	224,718.87	2,015,025.13
BALANCE, DECEMBER 31, 1937.....	\$ 707,828.67	\$ 21,004.78

