

Decision No. 14356**ORIGINAL**

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of)
 CITY TRANSIT, INC., a corporation,)
 for an order authorizing the issue) Application Number 10595
 of stock.)

Allard and Mitchell, for Applicant.

BY THE COMMISSION :

O P I N I O N

The Railroad Commission is asked to make an order authorizing City Transit, Inc., a corporation, to issue and sell at par \$15,000.00 of common stock.

Applicant was organized in August 1924 with an authorized stock issue of \$25,000.00 divided into 250 shares of the par value of \$100.00 each.

In Application Number 10600 applicant asks permission to acquire the property (Citrus Belt Bus Line) which the Commission by Decision Number 14008, dated September 5, 1924, in Application Number 10401, authorized W. E. Neher to sell to Joseph K. Hawkins for the sum of \$5,000.00. Applicant intends to pay for this property through the issue of \$5,000.00 of stock. The \$5,000.00 is included in the \$15,000.00 of stock mentioned above. The properties acquired by Joseph K. Hawkins consist of the right to operate auto stages from Pomona to San Dimas and La Verne, and two Rec stages. Since the acquisition of the properties by Joseph K. Hawkins one of the stages has been destroyed by fire while the other is only occasionally used. The financial statement filed herein shows \$4,000.00 charged to interurban franchises and \$1,000.00 to equipment. For the purpose

of this proceeding we will consider the equipment to be turned over to applicant to be worth \$500.00. Section 32 of the Public Utilities Act reads in part as follows :-

"The Commission shall have no power to authorize the capitalization of the right to be a corporation, or to authorize the capitalization of any franchise or permit whatsoever or the right to own, operate or enjoy any such franchise or permit, in excess of the amount (exclusive of any tax or annual charge) actually paid to the state or to a political subdivision thereof as the consideration for the grant of such franchise, permit or right."

Applicant was unable to furnish the Commission with any information showing the amount expended by its predecessor in obtaining the right to operate auto stages between Pomona, San Dimas and La Verne. In view of the provision of the Public Utilities Act and the record in this proceeding, the Commission cannot authorize the issue of any stock to acquire the right to operate auto stages between Pomona, San Dimas and La Verne.

Testimony shows that applicant, under date of September 15, 1924, entered into a contract with the Mack International Motor Truck Corporation covering the purchase of one De Luxe Bus, two 29 passenger city busses and three 25 passenger city busses, on which contract there was a balance due of \$52,853.00. Five of the busses are being operated within the city limits of Pomona while one has been used on the Pomona, San Dimas and La Verne run.

It is further of record that J. H. McKee has advanced \$1,000.00, W. E. Dean \$500.00 in cash, while Joseph K. Hawkins is said to have advanced for the benefit of the corporation \$7,484.55 which includes the \$5,000.00 that he has paid or agreed to pay for the Citrus Belt Bus Line and franchise together with two busses. We are of the opinion that the Commission cannot authorize the capitalization of more than \$500.00 of the amount which he has agreed to pay for this property.

The order herein will permit applicant to issue \$15,000.00 par value of common stock. Of this stock \$3,000.00 may be delivered to Joseph K. Hawkins to reimburse him for advances made in the interest

of applicant corporation, \$1,000.00 to J. E. McKee and \$500.00 to W. E. Dean. The remainder of the stock, namely \$10,500.00, shall be sold by applicant for cash at not less than par and the proceeds used to pay part of the balance due on the equipment referred to in the contract filed in this proceeding.

ORDER

City Transit, Inc. having applied to the Railroad Commission for permission to issue \$15,000.00 of stock, a hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of such stock is reasonably required by applicant and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED as follows :-

1. City Transit, Inc. may issue and deliver, on or before October 1, 1925, to Joseph K. Hawkins \$3,000.00 of common stock; to J. E. McKee \$1,000.00 and to W. E. Dean \$500.00 in payment for advances made by them.
2. City Transit, Inc. may issue and sell for cash at not less than par on or before October 1, 1925, \$10,500.00 of stock and use the proceeds to pay the balance due on the stage equipment referred to in the contract filed in this proceeding.
3. City Transit, Inc. shall keep such record of the issue, sale and delivery of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th. day of each month a verified report, as required by the Railroad Commission's General Order Number 24, which order in so far as applicable, is made a part of this order.

4. The authority herein granted will become effective upon the date hereof.

DATED at San Francisco, California, this 12th day of December, 1924.

C. Seavey

Dwight Martin
Erton Shore

Commissioners.