

Decision No. 14507

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 WALTER GOSNEY,
 doing business under the fictitious
 name of Red Bluff-Westwood Stage Co.,
 to sell and transfer to Mt. Lassen
 Transit Co., a corporation, a certain
 operative right and property, and of
 the Mt. Lassen Transit Co., a cor-
 poration, to issue stock in payment
 therefor and to issue and sell stock
 to purchase additional equipment.

ORIGINAL

Application Number 10764

Harry A. Encell and James A. Miller,
 by Harry A. Encell, for Applicants.

BY THE COMMISSION:

O P I N I O N

In the above entitled matter the Railroad Commission
is asked to make an order-

1st. Authorizing Walter Gosney to sell and transfer a cer-
tain operative right and property now used and useful in the con-
duct of his stage business to Mt. Lassen Transit Company, a cor-
poration, and,

2nd. Authorizing Mt. Lassen Transit Company, a corporation,
to issue to Walter Gosney in payment therefor its capital stock in
such amount as may seem reasonable to the Commission, and

3rd. Authorizing Mt. Lassen Transit Company, a corporation,
to issue and sell at par, \$15,000.00 of its capital stock for the

purpose of financing the cost of additional equipment.

The record shows that Walter Gosney is engaged in the business of transporting passengers and freight by auto stages over the Red Bluff-Susanville Highway between Red Bluff, Tehama County, and Westwood, Lassen County, a distance of about 85 miles, operating under the firm name and style of Red Bluff-Westwood Stage Company. It appears that recently, due largely to improved road conditions, travel over this route has so increased that, in order to give adequate service, it is necessary to put into service over the route larger and more modern equipment than that now used by Mr. Gosney. Believing that a corporation can more readily obtain the funds needed for this purpose, Mr. Gosney has caused the organization and incorporation of Mt. Lassen Transit Company for the purpose of receiving the operative right now owned by him, and the property used in connection with his operations under the right, and of thereafter continuing the business heretofore conducted by him.

The Articles of Incorporation of Mt. Lassen Transit Company show that it was organized on or about February 11, 1924, with an authorized capital stock of \$50,000., divided into 50,000 shares of the par value of \$1.00 each, all common. By Decision No. 13651, dated June 5, 1924, in Application No. 10062, the Railroad Commission authorized the transfer to the corporation of the operative right to which reference herein is made. Although such transfer has not yet been effected, the authority granted by the Commission in Decision No. 13651 has not expired, nor has it been revoked by any subsequent action of the Commission. For this reason it is unnecessary for the Commission again to authorize the transfer of the operative rights in this pro-

ceeding. We will therefore at this time consider only the requests of the corporation to issue stock.

The physical properties, which will be transferred free and clear of all liens and encumbrances, consist of four stages, including two seven-passenger Studebaker automobiles, one five-passenger Pierce Arrow automobile and one seven-passenger Cadillac automobile. It appears that this equipment was purchased for approximately \$3,750.00 and that certain amounts were expended thereafter for additions and improvements. Mr. Gosney, in this connection, testified that in his opinion \$5,000.00 represented a fair value of the equipment.

Mr. Gosney testified that he has incurred some expense in establishing and developing the business to a point where, it is now thought, it should be able to earn a fair return. He reports that he commenced operations in 1919, and that he has never taken any money from the business as salary or as return on his investment, although his operations have required his entire time for about seven months every year. In addition it appears that, with the exception of two years, he has not charged the business with any amounts on account of depreciation of the equipment. Taking these factors into consideration he alleges a loss for the years 1919 to 1923, inclusive, of \$7,963.60. To this there should be added approximately \$2,000. for losses sustained during 1924, making a total of \$9,963.60. It is of record however that expenses incurred in rebuilding automobiles have been charged to operating expenses with the result that the losses appear larger than they would have had such expenses been reported as part of the cost of the equipment.

It is of record that there was expended for organization and incorporation expenses for Mt. Lassen Transit Company the sum

of \$471.00 which includes an incorporation fee of \$51.00, corporation tax for 1924 of \$20.00 and attorney's fees of \$400.00.

After giving consideration to the evidence in this matter we believe that Mt. Lassen Transit Company should be allowed to issue not exceeding \$9000.00 of stock to Mr. Gosney in full payment for the stage equipment and properties which are referred to in this application and in the testimony submitted in support thereof.

It is the intention of the corporation, upon acquiring the business, to purchase two eighteen-passenger White, Fageol or Pierce-Arrow stages, which will cost about \$15,000.00. To obtain this amount, permission is requested to issue and sell \$15,000.00 of stock, it being thought that such stock will be subscribed for at par by the citizens of Westwood. After the new equipment is purchased, the stages now operated will be used to carry passengers when and if required, or will be rebuilt to carry freight and express.

O R D E R

Walter Gosney and Mt. Lassen Transit Company having made application to the Railroad Commission, as indicated in the foregoing opinion, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the application should be granted as herein provided, and that the money, property or labor to be procured or paid for through the issue of \$24,000.00 of stock is reasonably required by Mt. Lassen Transit Company.

IT IS HEREBY ORDERED that the Mt. Lassen Transit Company be, and it is hereby, authorized to issue \$9000.00 of its

common capital stock at par to Walter Gosney in full payment for the equipment and properties to which reference is made in the foregoing opinion, and to issue and sell at not less than par, \$15,000.00 of its capital stock for the purpose of financing the cost of two new automobile stages.

IT IS HEREBY FURTHER ORDERED that Mt. Lassen Transit Company 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 No. 24, which order, in so far as applicable, is made a part of this order.

IT IS HEREBY FURTHER ORDERED that the authority herein granted will become effective upon the date hereof, but will extend only to such stock as might be issued, sold and delivered on or before December 31, 1925.

Dated at San Francisco, California, this 30th day of January, 1925.

W. B. Rindig
Ch. Sweeney
Egerton Shore
George D. Squires
Commissioners.