

DM

Decision No. 14756.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
Beverly Gibson, M. B. Gibson, C. R.
Spickard, C. J. McFall, Geo. H. Woods,
and W.M. Sanford, co-partners, doing
business under the firm name and style
of CALIFORNIA-NEVADA STAGES, for per-
mission to sell, and CALIFORNIA-NEVADA
STAGES INC. a corporation, for permis-
sion to purchase operative rights for
the transportation of passengers and
express between Sacramento, Roseville,
Lincoln, Marysville and intermediate
points; together with all equipment
and all other property of the Califor-
nia-Nevada Stages, a co-partnership,
incident to the conduct of the business;
and CALIFORNIA-NEVADA STAGES, INC., a
corporation, for permission to issue
1170 shares of its capital stock at \$90.
per share in payment therefor.

ORIGINAL

Application No. 10907

Sanborn and Roehl & DeLancey C. Smith,
by Arthur B. Roehl, for Applicants.

SEAVEY, Commissioner:

OPINION

In this application the Railroad Commission is asked
to make an order authorizing Beverly Gibson, M. B. Gibson, C. R.
Spickard, C. J. McFall, George H. Woods and W. M. Sanford to sell
and transfer certain operative rights and properties, to which
reference is hereinafter made, to California-Nevada Stages, Inc.,
a newly organized corporation, and authorizing California-Nevada
Stages, Inc., to issue in full payment therefor \$117,000.00 of
its common capital stock at not less than ninety percent of the
par value thereof.

The record shows that Beverly Gibson, M. B. Gibson, C. R. Spickard, C. J. McFall, George H. Woods and W. M. Sanford, co-partners doing business under the firm name and style of California-Nevada Stages, are engaged in transporting passengers and express, by automobile stages, between Sacramento, Roseville, Lincoln, Marysville and intermediate points, operating pursuant to authority granted by the Commission in its Decision No. 14567, dated February 17, 1925, in Application No. 10828.

By Decision No. 14567 the Commission authorized Sam Aronson and H. E. Boswell, co-partners doing business under the firm name and style of Golden Eagle-Barker Stage Line, to transfer their operative rights and properties to Beverly Gibson, and his associates, applicants herein. The operative rights, which California-Nevada Stages, Inc., now proposes to acquire, are described somewhat fully in the Commission's Decision No. 14567 and reference thereto is hereby made.

It appears that Sam Aronson and H. E. Boswell, pursuant to the order of the Commission, transferred their rights and properties to the co-partnership, applicant herein, on February 27, 1925, for \$117,500.00, payment being made in cash. The testimony in this proceeding indicates that the members of the co-partnership are of the opinion that their business can be conducted more efficiently and economically by a corporation, rather than by a co-partnership, and have therefore caused the organization of California-Nevada Stages, Inc., for the purpose of receiving the rights they heretofore acquired from Sam Aronson and H. E. Boswell and of thereafter operating thereunder.

The Articles of Incorporation of California-Nevada Stages, Inc., a copy of which is attached to the application, show that it was organized on or about February 17, 1925, with an authorized

capital stock of \$250,000.00, divided into 2500 shares of the par value of \$100. each, all common. The corporation asks permission to issue \$117,000.00 of stock in payment for the rights and properties of the co-partnership, the amount of stock being determined by the purchase price paid Sam Aronson and H. E. Boswell.

The \$117,000.00 is made up of the following items:-

Passenger cars	\$63,300.00	
Tools and machinery	3,088.50	
Gas and oil equipment	2,763.00	
Furniture and fixtures	435.00	
Stock on hand	2,732.00	
Miscellaneous	<u>1,035.00</u>	\$73,353.50
Cash on hand		1,253.30
Intangibles:		
Miscellaneous		
(Aronson and Boswell)	9,000.00	
Incorporation fees	138.00	
Attorneys fees	380.00	
Time and expenses of investi-		
gations	700.00	
Filing fees	100.00	
Roseville garage lease	<u>2,000.00</u>	12,318.00
Goodwill, etc		<u>30,575.20</u>
Total.....		<u>\$117,500.00</u>

There are eleven passenger cars to be transferred, including three 30-passenger Whites, three 20-passenger Whites, one 18-passenger White, one 14-Passenger White, one 7-Passenger Cole, one 7-Passenger Studebaker and one 7-Passenger Buick. The value of \$63,300.00 for these cars, which are said to be in a first class operating condition, is an estimate of the present value thereof and is said to be somewhat less than the cost to replace such cars at the present prices. At the hearing held in this matter applicants were unable to advise the Commission of the original cost of the equipment. The values assigned for the other physical properties are said to represent actual cost thereof where records are available and estimates of cost where not available.

Coming to the intangibles, it appears that the items of \$138.00 for incorporation fees, \$380.00 for attorney's fees and \$100.00 for filing fees represent actual cash expenditures. The item of \$700.00 for time and expenses of investigations is said to consist of \$400.00 of actual cash expenditures by the co-partners in making investigations preliminary to the purchase of the properties and of \$300.00 as an estimate of the value of the time devoted to such purposes. The item of \$9,000.00, according to the testimony herein, represents actual cash expenditures by Sam Aronson and H.E. Boswell in obtaining and protecting the operative rights now sought to be transferred to California-Nevada Stages, Inc. The \$2,000.00 item for the leasehold in Roseville is an estimate only, based, apparently, on the location of the garage and the terms of the lease, which are said to be favorable, and on the probable market value and probable rental if sublet. It appears that the lease runs for a period of four years from March, 1925, with an option to the lessee to renew for five additional years, the monthly rental being \$110.00. A portion of the garage has been sublet for \$35.00 a month. On condition that at least \$2,000.00 so received during the life of the lease be invested in property, I believe the Commission can authorize the issue of stock on account of the lease. This in effect means the issue of stock for additional assets.

The Commission is urged to authorize the issue of stock against \$30,575.20 claimed for goodwill, for the reason that the stage line involved in this proceeding was started about ten years ago and that since then the business has developed to a point where it is operating on a profitable basis and where it is known by and holds the confidence of the traveling public. If such situation exists, it is not due to any act of applicant corporation, or the present owners of the properties who have only recently

acquired them. It seems that we have here another instance of using phraseology to suit the occasion. Perhaps it is a coincidence that the value of goodwill is exactly equal to the difference between what the present owners paid for the properties and the value assigned to the tangible and other property items to which reference has been made. I am inclined to believe, however, that applicants assigned values to the tangible property and the intangible property items above referred to, and subtracted the total of such values from \$117,500.00 and called the difference \$30,575.20, the value of goodwill. They might with equal propriety have called it franchise value or going concern value. The record does not justify the Commission to authorize the issue of stock against the \$30,575.20.

I herewith submit the following form of order:-

O R D E R

Beverly Gibson, M. B. Gibson, C. R. Spickard, C. J. McFall, Geo. H. Woods and W. M. Sanford, having applied to the Railroad Commission for permission to transfer operative rights and properties and California-Nevada Stages, Inc., having applied for permission to issue \$117,000.00 of stock, a public hearing having been held and the Commission being of the opinion that the transfer of rights and properties should be granted as herein provided, and that the money, property or labor to be procured or paid for through the issue of \$87,000.00 of stock at par, is reasonably required for the purpose specified herein,

IT IS HEREBY ORDERED that Beverly Gibson, M. B. Gibson, C. R. Spickard, C. J. McFall, Geo. H. Woods and W. M. Sanford, co-partners doing business under the firm name of California-Nevada Stages, . . . be, and they are hereby, authorized to sell

and transfer the operative rights and properties to which reference is made in the foregoing opinion, to California-Nevada Stages, Inc., and the California-Nevada Stages, Inc. be, and it is hereby, authorized to issue \$87,000.00 of its common capital stock in payment for such rights and properties free and clear of all encumbrances.

The authority herein granted is subject to the following conditions:-

1. Beverly Gibson, M. B. Gibson, C. R. Spickard, C. J. McWall, Geo. H. Woods and W. M. Sanford shall cancel all time schedules and tariffs now on file with the Railroad Commission, and California-Nevada Stages, Inc. shall file immediately tariffs and time schedules in its own name or adopt as its own the time schedules and tariffs heretofore filed by the co-partners, all such tariffs and time schedules to be identical with those heretofore filed by the co-partners, such cancellation and filing to be in accordance with the provisions of General Order No. 51 and other regulations of the Railroad Commission.
2. The rights and privileges which are herein authorized to be transferred may not hereafter be discontinued, sold, leased, transferred, hypothecated or assigned unless the written consent of the Railroad Commission to such discontinuance, sale, lease, transfer, hypothecation or assignment has first been secured.
3. No vehicle may be operated by California-Nevada Stages, Inc. unless such vehicle is owned by the company or is leased for a specific amount on a term or trip basis, the leasing of the equipment not to

include the services of a driver of authority. All employment of drivers or operators of its cars shall be made on the basis of a contract, whereby the driver or operator shall bear the relation of an employee of the transportation company.

4. California-Nevada Stages, Inc. shall keep such record of the issue and delivery of the stock herein authorized as will enable it to file with the Commission within thirty days from the date of such issuance a verified report, as required by the Railroad Commission's General Order No. 24, which order insofar as applicable, is made a part of this order.

5. The authority herein granted to transfer rights and properties and to issue stock will become effective upon the date hereof, but will expire June 1, 1925.

IT IS HEREBY FURTHER ORDERED that the application, insofar as it involves the request to issue \$30,000. of stock be, and it is hereby, dismissed without prejudice.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

DATED at San Francisco, California, this 7th day of April, 1925.

H. A. Brundage
C. L. Seaver
Edwin Shaw
George D. Tamm

Commissioners.