

LEM

Decision No. 18323.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
GEORGE J. PANARIO, WILLIAM E. CURTIS )  
and P.W.DONGAN, co-partners doing )  
business under the firm name and )  
style of SANTA ROSA, PETALUMA and )  
SAUSALITO AUTO STAGE COMPANY to )  
transfer certificates of public con- )  
venience and necessity to the SANTA )  
ROSA, PETALUMA and SAUSALITO AUTO )  
STAGE COMPANY, a corporation, and )  
of the SANTA ROSA, PETALUMA and )  
SAUSALITO AUTO STAGE COMPANY, a cor- )  
poration, to have said certificates )  
issued to it, and for permission to )  
issue stock in payment therefor. )

ORIGINAL

Application No. 11401

Edwin V. McKenzie, Hugh K. McKeivitt  
and Frank R. Devlin, for applicants.

BY THE COMMISSION:

OPINION

In this proceeding the Railroad Commission is asked to make an order authorizing George J. Panario, William E. Curtis and P. W. Dongan, co-partners, doing business under the firm name and style of Santa Rosa, Petaluma and Sausalito Auto Stage Company, to transfer their certificates of public convenience and necessity and their properties to Santa Rosa, Petaluma and Sausalito Auto Stage Company, a newly organized corporation, and authorizing the corporation to issue \$150,000.00 of its common capital stock.

The record shows that George J. Panario, William H. Curtis and P. W. Dongan are engaged in operating auto stages for the transportation of passengers between Sausalito and Santa Rosa and intermediate points, and between Santa Rosa and Calistoga and intermediate points. The certificates of public convenience and necessity under which operations are conducted were granted the co-partners in the following proceedings:-

<u>Decision</u>	<u>Date</u>	<u>Application</u>	<u>From whom Acquired</u>	<u>Description of Right</u>
6831	Nov.13,1919	5088	C.A.Branch	Permits transportation of passengers between Santa Rosa and Sausalito and intermediate points.
11698	Feb.20,1923	8693	E.E.Eketrom and L.B.Wilcox	Permits transportation of passengers between Santa Rosa and Calistoga and intermediate points.

The orders of the Commission do not permit the linking up or consolidating of the two rights or the establishing of through service from one route to the other, and no request for such permission is contained in the present application.

The physical properties involved in the proposed transfer are reported to consist of four Pierce-Arrow 18-passenger stages, one White 14-passenger stage, three White 20-passenger stages, two White 22-passenger stages, six White 24-passenger stages, one Hudson 7-passenger stage, one Pierce-Arrow towing car, one Cadillac service car and one Packard touring car; a total of 20 automobiles, together with materials and supplies, tools, furniture and fixtures and depot facilities.

As of May 31, 1925 the co-partners report the cost of their assets as follows:-

Stages . . . . .	\$108,592.91
Service cars . . . . .	4,855.36
Furniture . . . . .	1,607.85
Depot fixtures . . . . .	1,178.60
Machinery and tools . . . . .	5,842.13
Re-modeling car . . . . .	2,714.53
Stock account . . . . .	6,658.83
Tires and tubes . . . . .	2,605.73
Cash . . . . .	6,277.60
Notes receivable . . . . .	600.00
Accounts receivable . . . . .	461.12
Uniform account . . . . .	180.00
Franchise . . . . .	2,500.00
Leasehold property . . . Santa Rosa . . . . .	6,255.68
Leasehold property, Petaluma . . . . .	4,071.97
Deferred rent . . . . .	2,400.00

Total -----\$156,802.31

The item of \$2,500.00 for franchise value is said to represent the cost of acquiring the certificates now owned by the co-partners. The item of \$6,255.68 for leasehold property in Santa Rosa and the one for \$4,071.97 for leasehold property in Petaluma appear to be expenditures for improvements on leased property used for depot purposes. The item of \$2,400.00 represents six months' rent on the Santa Rosa terminal which was paid in advance. The total of \$134,055.91 for the equipment accounts represents actual cash expenditures by the partnership. There appears to be no outstanding indebtedness other than current running accounts.

It appears that the business of the three partners was started during 1920 and has been operated at a profit.

Financial reports filed by them show revenues and expenses for the years ending December 31st as follows:-

<u>ITEM</u>	<u>1922</u>	<u>1923</u>	<u>1924</u>
Transportation revenue	\$150,653.54	\$155,900.41	\$160,474.10
Other revenue . . . . .	-	144.00	221.27
Total . . . . .	<u>150,653.54</u>	<u>156,044.41</u>	<u>160,695.37</u>
Transportation expense . .	102,856.01	106,853.89	110,571.74
Depreciation . . . . .	18,616.79	22,659.68	23,877.16
Total . . . . .	<u>121,472.80</u>	<u>129,513.57</u>	<u>134,448.90</u>
Net income . . . . .	<u>29,180.74</u>	<u>26,530.84</u>	<u>26,246.47</u>
DEDUCT:			
Interest . . . . .	2,156.74	1,877.98	802.19
Miscellaneous . . . . .	7,175.50	4,964.40	1,719.85
Total . . . . .	<u>9,332.24</u>	<u>6,842.38</u>	<u>2,522.04</u>
Net profit . . . . .	<u>\$19,848.50</u>	<u>\$19,688.46</u>	<u>\$ 23,724.43</u>

The co-partners now desire to incorporate their business and have therefore caused the organization of Santa Rosa, Petaluma and SanSalito Auto Stage Company for the express purpose of receiving and operating the business and properties. The Articles of Incorporation, a copy of which is attached to the petition in this proceeding, show that it was organized on or about June 12, 1925 with an authorized capital stock of \$250,000.00, divided into 25,000 shares of the par value of \$10. each, all common, of which thirty shares are now outstanding.

It is of record that the original cost of the stages and tangible properties which applicant corporation intends to acquire from the partnership was \$144,383.59. Intangible property items and cash bring the total up to \$156,802.31. Four of the stages representing a cost of \$28,298.55 have been fully depreciated through credits to the reserve for accrued depreciation. The stages are still used by the partnership, during periods of peak load traffic. The reserve for accrued depreciation has also been credited because of depreciation on other stages and properties. As of December 31, 1924, the amount to the credit of the reserve for accrued depreciation was \$72,274.38. This amount of money has been ap-

appropriated from earnings to cover depreciation. The money, however, has for the most part been invested in equipment and properties which is now to be transferred to the corporation and which the corporation must eventually replace. When that time comes, the corporation will not have \$72,274.38 cash on hand, but must obtain such cash from the sale of stock or other securities. Assume that it is obtained through an additional stock issue and that the present application were granted, the company would have outstanding about \$22,000.00 of stock against properties costing about \$156,000.00. We do not believe that this represents a sound financial set-up. We think the reserve for accrued depreciation of the partnership, as well as the assets of the partnership should be transferred to the books of the corporation, and the reserve regarded as a liability which the corporation must replace. From this it follows that the corporation should be permitted to issue only \$90,000. of stock. When replacements must be made, they can, if necessary, be financed through the issue of additional stock.

#### ORDER

Application having been made to the Railroad Commission for an order authorizing the transfer of operative rights and equipment, and the issue of \$150,000. of stock, a public 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 through the issue and delivery of \$90,000. of stock is reasonably required for the purpose specified herein, and that this application in so far as it involves the issue of \$60,000. of stock, be dismissed without prejudice.

IT IS HEREBY ORDERED that George J. Panario, Wm. E. Cuttis and P. W. Dongan, co-partners doing business under the firm name

and style of Santa Rosa, Petaluma and Sausalito Auto Stage Company be, and they hereby are, authorized to transfer to Santa Rosa, Petaluma and Sausalito Auto Stage Company, a corporation, the two certificates of public convenience and necessity and the properties and assets to which reference is made in the foregoing opinion, and Santa Rosa, Petaluma and Sausalito Auto Stage Company, a corporation, be, and it hereby is, authorized to issue \$90,000.00 of its common capital stock and assume the liabilities of Santa Rosa, Petaluma and Sausalito Auto Stage Company, a co-partnership, in full payment for the properties of such co-partnership, described in this application.

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

1. George J. Panario, Wm. E. Curtis and P. W. Dongan shall cancel immediately all time schedules, tariff rates and classifications at present on file with the Railroad Commission, and Santa Rosa, Petaluma and Sausalito Auto Stage Company, a corporation, shall file immediately new time schedules, tariffs, rates and classifications or adopt as its own the time schedules, tariffs, rates and classifications heretofore filed with the Commission by George J. Panario, Wm. E. Curtis and P. W. Dongan, all such new time schedules, tariffs, rates and classifications to be identical with those heretofore filed with the Commission, 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, the transfer of which is herein authorized, may not again be transferred, assigned, leased, sold, hypothecated, or operations thereunder discontinued without the written consent of the Railroad Commission.
3. No vehicles may be operated by Santa Rosa, Petaluma and Sausalito Auto Stage Company, a corporation, unless such vehicles are owned by such corporation or are leased by it on a basis satisfactory to the Railroad Commission.
4. No authority is hereby conveyed for the consolidation, enlargement, or expansion of any operative rights beyond those heretofore held by the applicants herein under the authority granted by the Commission.
5. The corporation shall keep such record of the issue and delivery of the stock herein authorized and 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.
6. The transfer of the operative rights and the properties, the cancellation and filing of time schedules, tariffs, rates and classifications and the issue of stock shall be made not later than ninety days from the date of this order unless such time is hereafter extended by further order of the Commission.

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

IT IS HEREBY FURTHER ORDERED that this application in so far as it involves the issue of \$60,000.00 of stock, be dismissed without prejudice.

DATED at San Francisco, California, this 20<sup>th</sup> day of August, 1935.

Chase

Ernesto  
Leon White

Commissioners