

6- The sale and issuance by Pickwick Stages System of One Hundred Thousand Dollars (\$100,000) par value of its common capital stock without any allowance for brokerage or commission, the proceeds thereof to be used in the reduction of its liabilities represented by capital assets.

A public hearing was held before Examiner Handford at San Francisco, the matter was duly submitted and it is now ready for decision. The granting of the application was not protested.

Each of the applicants in the above entitled proceeding is a corporation engaged in the business of transporting persons and property over the highways of California under authority of certificate of public convenience and necessity issued at various times by the Railroad Commission. As integral parts of the Pickwick Stages System their operations have been conducted under one management. The instant proceeding is based principally on the claim that economy in the operation of the business of the corporations involved will result if the application be granted, with particular reference to the handling of ticket sales, accounting and inter-leasing of equipment. This, in effect, was the testimony of the only witness testifying at the hearing.

The operating rights of Marrietta Mineral Hot Springs Auto Stage Line and those of Pickwick Stages, Inc., parallel each other between the cities of Anaheim and Los Angeles and also between Marrietta Mineral Hot Springs and Elsinore. Consolidation of these rights, as proposed, and their transfer to Pickwick Stages System will make it possible for the Pickwick System to handle passengers from the Hot Springs, Marrietta and Elsinore and intermediate points to and from Los Angeles either by way of Corona or by way of Riverside, the alternate routing making for a lessening of the use of overload equipment with a consequent reduction in cost of operation and a better public service.

The operating rights herein sought to be transferred were granted by the Railroad Commission in accordance with the follow-

ing record:

Pickwick Stages Inc.

Decision No.5345, dated April 29, 1918, issued on Application No.3563 - Between San Diego and Los Angeles and intermediate points via both the Coast and the Inland route; between San Diego and El Centro and intermediate points; between San Diego and Julian and intermediate points; between San Diego and Descanso and intermediate points.

Decision No.8794, dated April 27, 1923, issued on Application No.8794 - Between San Diego and Escondido and intermediate points.

Decision No.11224, dated November 13, 1922, issued on Application No.8267 - Between San Diego and Warner's Hot Springs and between San Diego and Warner's Hot Springs, via Santa Ysabel and Morretti in connection with and as an extension of passenger stage service between San Diego and Julian.

Decision No.6724, dated October 2, 1919, issued on Application No.4772 - Between Descanso and Warren's Ranch and intermediate points.

Decision No.9256, dated July 23, 1921, issued on Application No.6833 - Between San Diego and Escondido via Miramar (change of route).

Decision No.12629, dated September 19, 1923, issued on Application No.9165 - Between Bonsall and Oceanside via San Luis Rey (connecting Coast and Inland routes).

Decision No.11241, dated November 16, 1922, issued on Application No.8277 - Between Elsinore and Riverside and intermediate points.

Decision No.11841, dated March 29, 1923, issued on Application No.8768 - Freight between Los Angeles and Temecula and certain intermediate points.

Decision No.9473, dated September 7, 1921, issued on Application No.4767 - Between Oceanside and Vista (through passengers).

Murrietta Mineral Hot Spring Auto
Stage Line

Decision No.9588, dated October 4, 1921, issued on Application No.7138 - Between Los Angeles and Murrietta Mineral Hot Springs and between Murrietta Mineral Hot Springs and Warner's Hot Springs.

Transfer of the above listed operating rights and their consolidation as petitioned for will be authorized in the order herein.

Pickwick Stages System asks permission to issue at par
\$304,400 of stock for the following purposes:

\$180,300 to acquire the equity in the properties of Pickwick
Stages, Inc.

24,100 to acquire the equity in properties of Murrietta
Mineral Hot Springs Auto Stage Line, and

100,000 to pay indebtedness.

The Pickwick Stages System proposes to acquire all of the
properties of the Pickwick Stages Inc. and Murrietta Mineral
Hot Springs Auto Stage Line and in payment for such properties
assume the indebtedness of the two companies and issue stock, as
above indicated.

The assets and liabilities of the Pickwick Stages, Inc. as of
June 30, 1925, are reported as follows:

ASSETS

Franchises	\$ 44,894.81
Plant and Equipment	\$264,839.77
Reserve for accrued depre- ciation	34,852.64
Net investment in plant and equipment	229,987.13
Notes receivable	547.90
Materials and Supplies	9,419.11
Special funds	5,603.90
Pre-payments	565.02
Ticket collections in agent's hands . . 1 . .	5,013.25
State tax-refund on motor transportation tax	2,967.97
Discount on stock	7,792.00
Discount and expense on funded debt	627.90
Total assets ...	\$307,418.99

LIABILITIES

Funded debt	\$ 40,000.00
Notes payable	41,000.00
Trade acceptances	4,905.50
Contracts payable	3,444.46
Accrued liabilities . . . 1	7,348.95
Accounts payable	30,372.33
Total liabilities .	\$127,071.24
Assets in excess of liabilities	\$180,347.75

The Pickwick Stages System intends to assume the payment of the liabilities of Pickwick Stages, Inc. and issue to that company in payment for its properties \$180,300 of stock and pay \$47.75 in cash.

At the hearing had, Warren E. Libby, Secretary of Pickwick Stages, Inc. testified that the \$44,894.81 now charged to franchises should be increased by \$4,581.00 which is said to represent legal expenses incurred in connection with the acquisition of operative rights and defending the company's operative rights against competition or adjudicating such operative rights. It appears that all of the \$4,581. except \$75. represents expenditures incurred to defend the operative rights of Pickwick Stages, Inc. or prevent competition, or prosecute applications for new operative rights, which applications remain undecided. Mr. Libby expressed the opinion, that legal expenses incurred for the purpose of protecting the company's existing operative rights were proper charges to capital account. We are unable to agree with him in this respect and are of the opinion that of the \$4,581. only \$75. can be included under charges to capital account. The \$44,894.81 includes \$6,500. which the Commission has heretofore (Decision No.9612 dated Oct. 14, 1921, Vol.20 Opinions and Orders of the Railroad Commission of California, page 672), recognized as proper charges to capital account. Deducting the \$6500 from the \$44,894.81, leaves \$38,394.81. There is nothing in the record to show the cost to the original grantees of franchises of the Pickwick Stages, Inc. carried on that company's books at \$38,394.81. Of the charges made, to intangible capital account (franchises) we can on the basis of the record recognize only \$6,575. as a proper charge to that account for the purpose of issuing stock. Making the necessary adjustment in the company's total accounts, we find that the Pickwick Stages System should be permitted to issue \$142,000. of stock to acquire the equity in the properties of the Pickwick Stages, Inc.

Referring to the Murrietta Mineral Hot Springs Auto Stage Line,
the applicants report assets as follows:

Plant and equipment	\$ 17,272.98
Ticket account	1,433.06
Accounts receivable	522.74
Cash on hand and in bank	521.47
Franchises	5,000.00
Deposits with California Highway Indemnity Exchange	342.80
Total assets	\$ 25,093.05
Less liabilities to be assumed	923.06
Assets in excess of liabilities	\$ 24,169.99

Against these properties the Pickwick Stages System asks permission to issue stock in the amount of \$24,100., pay cash \$69.90 and assume the payment of \$923.06 in liabilities. It will be noted that the assets include an item of \$5000. charged to franchises. There is nothing in the record which enables the Commission to determine whether this represents the cost of franchises to the original grantee or to subsequent owners. The testimony does not justify the Commission to include the \$5000. in the assets of Murrietta Mineral Hot Springs Auto Stage Line for the purpose of authorizing the issue of stock. The order will authorize the issue of \$19,000. of stock to acquire the equity in the properties of the Murrietta Line.

Pickwick Stages System asks permission to issue and sell at par \$100,000 of stock and use the proceeds to pay indebtedness which it intends to assume or pay indebtedness which it incurred in connection with the acquisition of new stage equipment. The issue of this stock will be authorized by the order herein.

O R D E R

Pickwick Stages System, having applied to the Railroad Commission for permission to issue \$304,400. of stock for the purposes indicated in the foregoing opinion, a public hearing having been held before Examiner Handford and the Railroad Commission being of the opinion that the money, property or labor to be procured or acquired by the issue of \$261,100. of stock is

reasonably required by Pickwick Stages System and that the application insofar as it relates to the issue of \$43,300 of stock, should be denied without prejudice;

IT IS HEREBY ORDERED that for the purpose of acquiring the assets of Pickwick Stages, Inc., as of June 30, 1925, Pickwick Stages System be, and it hereby is, authorized to issue \$142,000 of stock, and to assume the payment of indebtedness of said corporation.

IT IS HEREBY FURTHER ORDERED that, for the purpose of acquiring the assets of Marietta Mineral Hot Springs Auto Stage Line as of June 30, 1925, Pickwick Stages System be, and it is hereby, authorized to issue \$19,100 of stock and assume the payment of the liabilities of said company.

IT IS HEREBY FURTHER ORDERED that Pickwick Stages System be, and it hereby is, authorized to issue and sell at par \$100,000 of its common capital stock and use the proceeds to pay indebtedness assumed in connection with the purchase of the properties by Pickwick Stages, Inc. and of Marietta Mineral Hot Springs Auto Stage Line, or to pay indebtedness which it incurred in connection with the acquisition of additional auto stage equipment and referred to in its balance sheet as of June 30, 1925.

IT IS HEREBY FURTHER ORDERED that Pickwick Stages System 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 insofar as applicable, is made a part of this order.

IT IS HEREBY FURTHER ORDERED that the authority herein granted to issue stock and to assume the payment of indebtedness and acquire properties shall become effective when Pickwick Stages System has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$41.

IT IS HEREBY FURTHER ORDERED that the operating rights heretofore granted to Pickwick Stages, Inc., which rights are more specifically described in the opinion preceding this order be, and the same hereby are authorized to be transferred to Pickwick Stages System, a corporation.

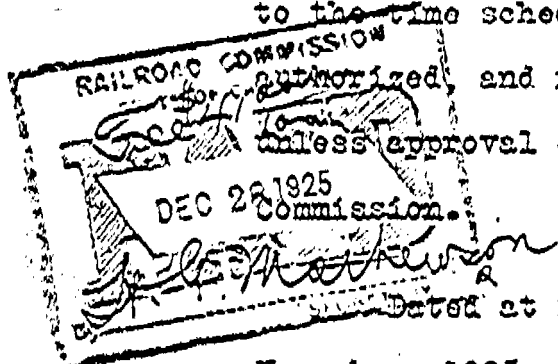
IT IS HEREBY FURTHER ORDERED that the operating right heretofore granted to Marietta Mineral Hot Springs Auto Stage Line, a corporation, which right is more specifically described in the opinion preceding this order, be and the same hereby is authorized to be transferred to Pickwick Stages Sytem, a corporation,

IT IS HEREBY FURTHER ORDERED that the operating right heretofore granted to Marietta Mineral Hot Springs Auto Stage Line, a corporation, be and the same hereby is authorized to be consolidated with the operating rights heretofore granted to Pickwick Stages, Inc., all of the rights herein authorized to be consolidated, being more specifically described in the opinion preceding this order.

IT IS HEREBY FURTHER ORDERED that Pickwick Stages, Inc., and Marietta Mineral Hot Springs Auto Stage Line, a corporation, shall immediately cancel the tariffs of rates and time schedules filed in their respective names with the Railroad Commission, and Pickwick Stages System, a corporation, shall immediately issue in its own name a tariff of rates and time schedules which shall be identical with the rates and time schedules of Pickwick Stages, Inc., and Marietta Mineral Hot Springs Auto Stage Line, except as to the time schedules affected by the consolidation herein

authorized, and no change shall be made in said time schedules unless approval of said change is first obtained from the Railroad Commission.

Dated at San Francisco, California, this 21st day of November, 1925.



George D. Squire
Leon O. Wilson COMMISSIONERS