

Decision No. 16908

**ORIGINAL**

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
INTERSTATE TRANSIT COMPANY )  
for an order authorizing issue of ) Application No. 12844  
stock. )

McClymonds & Wells, for applicant.

BY THE COMMISSION:

OPINION

In this application the Railroad Commission is asked to make an order authorizing Interstate Transit Company to issue 433 shares of its capital stock, of the aggregate par value of \$43,300., for the purpose of paying organization and other expenses and of paying indebtedness and financing the cost of equipment.

The record shows that Interstate Transit Company is engaged in the transportation of passengers by auto stages between points in the State of California and points in the State of Oregon, but not locally between points within the State of California. It appears that operations were started about

November 1, 1925, and that for the six months ending May 1, 1926, operating revenues aggregated \$37,022., operating expenses \$30,874., and net profit \$6,148.

The assets and liabilities as of May 1, 1926, are reported as follows:-

ASSETS

Equipment:	
Three Studebaker busses . . . . .	\$19,149.62
Three Fageol busses . . . . .	65,975.02
One Studebaker Sedan. . . . .	<u>2,100.00</u>
Total equipment . . . . .	\$ 87,224.64
Inventories and deferred charges . . . . .	4,668.53
Cash . . . . .	5,580.68
Revolving fund . . . . .	300.00
Funds receivable . . . . .	4,942.25
Other current assets . . . . .	<u>1,000.00</u>
Total Assets. . . . .	<u><u>\$103,716.10</u></u>

LIABILITIES

Advances for stock subscriptions . . . . .	\$ 19,600.00
Accounts payable . . . . .	5,749.66
Salaries payable . . . . .	610.62
Lease contracts payable. . . . .	65,606.67
Reserve for depreciation . . . . .	6,203.52
Surplus and undivided profits. . . . .	<u>5,945.63</u>
Total Liabilities . . . . .	<u><u>\$103,716.10</u></u>

The company does not conduct its operations under a certificate of public convenience and necessity obtained from the Railroad Commission. It has heretofore been decided that this Commission is without the power to grant or deny authority for the exercise of interstate operating privileges. (See Decision No. 16408 and Decision No. 16431) To remove all questions about the validity of the stock, applicant filed an application for permission to issue stock both with this Commission and with the

Commissioner of Corporations.

The corporation has an authorized capital stock of \$100,000. divided into 1,000 shares of the par value of \$100. each, all common. In making the present request, the company asks permission to issue the \$43,500. of stock in the following manner:-

- (a) To issue three shares of its capital stock as fully paid up stock to its directors, that is to say, one share to each of its directors upon payment to applicant of the par value thereof;
- (b) To issue to A. T. Shere 80 shares of its capital stock as fully paid stock in consideration of and in payment for his investigation of traffic conditions in and about the proposed territory served by applicant, and for the further consideration of the said A. T. Shere entering into a contract with this corporation to be employed as business manager, as hereinafter specified.
- (c) To sell 350 shares of its capital stock as and when the corporation desires to sell the same at and for the par value, subject, however, to the payment of commissions and selling expenses of not exceeding twenty percent of the par value thereof.

The record in this proceeding indicates that A. T. Shere, applicant's president, had been engaged in working on and investigating this project for a period of two years, that he made several trips between San Francisco and Oregon in doing so, that he secured terminal sites and made arrangements with connect-

ing carriers and that he purchased and put into operation two cars before forming the applicant corporation. It clearly appears that Mr. Shere expended a considerable amount of money and devoted considerable time in organizing and developing the business now conducted by applicant and in our opinion the issue of \$8,000. of stock in payment for these services and advances incident to the organization and development of the business is not unreasonable.

Applicant proposes to sell the 350 shares at par for cash, and asks permission to expend, if necessary, an amount not exceeding twenty percent of the par value in payment of commissions and other expenses incident to the sale and to use the remaining proceeds to pay indebtedness incurred in acquiring the equipment it now operates to which reference is made in the foregoing balance sheet. The testimony shows that applicant has received subscriptions for \$24,000. of stock.

In view of the fact that the order herein authorizes the issue of \$8,000. of stock to cover organization and development expenses, we are of the opinion that applicant should not pay any commissions on the \$24,000. stock subscriptions it now has, and that on the remainder of the stock (\$11,000.) the commissions and selling expenses should not exceed ten per cent of the stock sold.

#### ORDER

Interstate Transit Company having applied to the Railroad Commission for permission to issue \$43,300. of stock, 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 issue of the stock is reasonably required by applicant for the purposes specified herein and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED that Interstate Transit Company be, and it is hereby, authorized to issue and sell, at par for cash, three shares of its capital stock to its directors and to use the proceeds for working capital or to pay outstanding indebtedness.

IT IS HEREBY FURTHER ORDERED that Interstate Transit Company be, and it is hereby, authorized to issue 80 shares, (\$8,000. par value) of its capital stock in payment of organization and development expenses.

IT IS HEREBY FURTHER ORDERED that Interstate Transit Company be, and it is hereby, authorized to issue and sell at not less than par for cash 350 shares (\$35,000. par value) of its capital stock and to use not exceeding \$1,100. to pay commissions and other expenses incident to the sale of said stock and to use the remaining proceeds and such portion of the \$1,100. not needed for commissions and other expenses incident to the sale of stock to pay outstanding indebtedness and to finance the cost of equipment.

IT IS HEREBY FURTHER ORDERED that applicant shall keep such record of the issue 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 shall become effective upon the date hereof, but that under such authority no stock may be issued after June 30, 1927.

DATED at San Francisco, California, this 14<sup>th</sup>  
day of June, 1926.

H. B. Rudiger

A. C. Cheney

Leon Whittell

Commissioners.