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ORIGINAL

Decision No. 5049

Decision No. _____

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

* * *

In the Matter of the Application of)	
NEIL FORREST and RED STAR STAGE LINE)	
TRANSPORTATION COMPANY, a corporation,)	<u>Application</u>
for permission to sell to NEIL FORREST)	
500 shares and to the public 500 shares)	<u>Number 3391.</u>
of the treasury stock of RED STAR STAGE)	
LINE TRANSPORTATION COMPANY:)	

A.P. Crist, for applicant.

GORDON, Commissioner.

O P I N I O N .

In this application, as amended, Red Star Stage Line Transportation Company asks authority to issue 1,000 shares of its common capital stock of the par value of \$10.00 each. The company proposes to issue 500 shares of said stock in exchange for the properties described in Exhibit "B" attached to the petition herein and to sell 500 shares of said stock at not less than the par value thereof for the purpose of obtaining funds to purchase additional automobile equipment and increase its garage facilities.

Since 1915, Neil Forrest has been engaged in operating a stage line with automobiles for passenger and freight traffic between San Francisco, San Mateo, Half Moon Bay, San Gregorio, Pescadero, via the coast highway under the fictitious name of the Red Star Stage Line Transportation Company. On or about August 21,

1917, he caused to be organized the Red Star Stage Line Transportation Company, a corporation, with an authorized capital stock of \$50,000.00 divided into 5,000 shares of the par value of \$10.00 per share. The property he proposes to transfer to the corporation, more fully described in "Exhibit B", consists of five automobiles, tools and garage equipment and office furniture. For the twelve months ending November 30, 1917, he reports the gross earnings from the auto stage business at \$12,121.09, the expenses at \$7,805.53, leaving a net income of \$4,315.56. The expenses include no allowance for depreciation.

As said, Neil Forrest proposes to sell and transfer his automobiles, equipment and business to the Red Star Stage Line Transportation Company in exchange for \$5,000.00 of stock, which according to the testimony is the reasonable value of the property. From the testimony, it appears that he intends to retain control of the corporation if this application is granted and through the medium of the corporation, the ownership of the properties. He believes that the transfer of the properties to a corporation will enable him to more readily finance the purchase of equipment and the improvement of the service.

In the original petition herein, applicant asked authority to issue and sell at not less than par, \$20,000.00 of its common capital stock. At the hearing held on January 7, 1918, the petition was amended. The company now desires to offer for sale not more than \$5,000.00 of its capital stock. Mr. Neil Forrest testified that he was unable at this time to advise the Commission as to the specific purposes for which the proceeds from the sale of \$5,000.00 of stock will be used. In general, the proceeds will be used to purchase additional equipment and to enlarge the garage facilities. It is obvious that until the Red Star Stage Line Transportation Company has decided upon the specific purposes for which it will expend these moneys the Commission cannot make a final order in this proceeding. I am willing to recommend that applicant-----

be granted authority to issue and sell not exceeding \$5,000.00 of its stock at not less than par, provided that it deposit the proceeds in a special fund and not expend any part thereof otherwise than as authorized by the Commission in a supplemental order or orders herein.

Applicant to date has not obtained the necessary authority to conduct the auto stage business of Neil Forrest. It has obtained from the Commission no certificate of public convenience and necessity.

I herewith submit the following form of order:

O R D E R

RED STAR STAGE LINE TRANSPORTATION COMPANY having applied to the Railroad Commission for authority to issue \$10,000.00 par value of its common capital stock, and a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that Red Star Stage Line Transportation Company be, and it is hereby, granted authority to issue \$10,000.00 par value of its common capital stock, subject to the following conditions:

- 1.-Stock in the amount of \$5,000.00 may be issued to Neil Forrest in exchange for the automobile equipment and properties described in Exhibit "B" attached to the petition herein.
- 2.-Stock in the amount of \$5,000.00 may be sold by applicant at not less than the par value thereof for cash, provided that it deposit the proceeds derived from such sale with some banking institution and not expend any part thereof otherwise than in accordance with the terms and conditions of a supplemental order or orders of this Commission.
- 3.-The authority herein granted shall not become effective until Red Star Stage Line Transportation Company, a corporation, has obtained all necessary permits from public authorities and a certificate of public convenience and necessity from the Railroad Commission, as provided in Chapter 213, Laws of 1917.

4. Red Star Stage Line Transportation Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the stock herein authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission stating the sale or sales of said stock during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted to issue stock shall apply only to such stock as may be issued on or before October 1, 1918.

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 17th day of January, 1918.

Max Thelers
H. S. Rowland
Alvin Gordon
Frank Verhu
Commissioners.