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ORIGINAL

Decision No. 9517.

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA.

* * *

In the Matter of the Application of)
STAR AUTO STAGE COMPANY,)
a corporation, for a permit authori-)
zing said company to issue Treasury)
Stock.)

Application No. 6485.
6843.

Harry A. Encell for applicant.

MARTIN, Commissioner.

O P I N I O N

In this application, as amended at the hearing, STAR AUTO STAGE COMPANY, now CALIFORNIA TRANSIT COMPANY, asks permission to issue its common capital stock for the purpose of paying the purchase price of automobile equipment. The company requests permission to issue such an amount of its common capital stock, as at 75 per cent. of par value, will equal the reported purchase price of \$139,250.00.

In Exhibit "I", as amended, applicant reports that since December 24, 1920, it has purchased or has contracted for the purchase of the following automobiles:

December 24, 1920.....	1	- 48 h.p. Pierce Arrow, 20 passenger,		\$8,000.00
December 24, 1920.....	1	- 45 h.p. White,	14	7,500.00
December 31, 1920.....	1	- 15-45 h.p. White,	18	8,500.00
January 16, 1921.....	1	- 30 h.p. White,	14	7,000.00
February 26, 1921.....	1	- 45 h.p. White,	18	7,500.00
March 4, 1921.....	1	- 45 h.p. White,	18	7,500.00
March 12, 1921.....	1	- 48 h.p. Packard,	14	5,500.00
March 25, 1921.....	1	- 45 h.p. White,	15	5,250.00
April 4, 1921.....	1	- 45 h.p. White,	18	7,500.00
April 8, 1921.....	1	- 45 h.p. White,	18	7,500.00
April 8, 1921.....	1	- 45 h.p. White,	18	7,500.00
May 14, 1921.....		Twin-Six Packard, 14 passenger - Chassis owned by applicant; rebuilt and lengthened by California Body Building Co.,.....		4,000.00
June 17, 1921.....	1	- 48 h.p. Pierce,	14	6,500.00
July 1, 1921.....	1	- 15-45 h.p. White,	18	8,500.00
July 2, 1921.....	1	- 15-45 h.p. White,	18	8,500.00
July 3, 1921.....	1	- 15-45 h.p. White,	18	8,500.00
To be delivered,.....	1	- 48 h.p. Pierce,	14	7,000.00
	2	- 15-45 h.p. Whites,		17,000.00
		Total,.....		\$139,250.00

The testimony of W.E. Travis, applicant's president and general manager, shows that applicant in order to give adequate service, found it necessary to make arrangements to secure the above equipment. He further testified that the figures represent the value of the equipment at the time it was purchased. Applicant asks permission to issue common stock as at \$75.00 per share will net \$139,250.00. This would call for the issue of \$185,600.00 of stock, or \$46,350.00 par value of stock more than the reported value of the equipment. I do not believe that such a discount should be allowed. The order herein will permit applicant to issue not exceeding \$163,800.00 of common stock in payment for the equipment referred to in this application, such equipment to be acquired free and clear of all encumbrances. It has been urged that the Commission should allow the issue of the stock at \$75.00 because it is possible to acquire outstanding stock at \$65.00 per share. Considering the history of these properties and that of the stage business in general, I am not convinced that the price at which the outstanding stock of applicant may be acquired should govern the Commission in fixing the minimum price at which it will permit the

stock to be issued.

I herewith submit the following form of Order.

O R D E R

STAR AUTO STAGE COMPANY, now CALIFORNIA TRANSIT COMPANY, having applied to the Railroad Commission for permission to issue stock, a public hearing having been held and it appearing to the Railroad Commission that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose specified herein, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED, that CALIFORNIA TRANSIT COMPANY, formerly STAR AUTO STAGE COMPANY, be, and it is hereby, authorized to issue on or before December 31, 1921, \$163,800.00 of its common capital stock in full payment for the properties described in the opinion preceding this order, provided --

THAT, none of said stock be issued unless all the equipment referred to is transferred to applicant as fully paid for, in exchange for said stock; and provided further --

THAT, California Transit Company will keep such record of the issue of the stock herein authorized and of the disposition thereof as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Com-

mission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

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 14th day of September, 1921.

H. B. Bundy

David Weston

J. F. Benedict

Commissioners.