

Decision No. 7612.

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of)
PICKWICK STAGES, a co-partnership,)
and PICKWICK STAGES, INC., a corpo-)
ration, for an order authorizing the)
issue of capital stock and the sale)
of the business of the former to the)
latter, and the issuance of stock)
therefor.)

Application
Number
6527

Warren E. Libby for applicant.

LOVELAND, Commissioner.

O P I N I O N

PICKWICK STAGES, a co-partnership, asks permission to transfer its operative rights and properties to PICKWICK STAGES, INC. The latter asks permission to acquire said properties and to issue \$100,000.00 of its common stock.

This application was heard and submitted on March 11th subject to the right of counsel for applicant to file a written outline of the theory on which the application is made. This outline was received by the Commission on September 18th. This matter is now ready for decision.

It appears from the record in this proceeding that Pickwick Stages, a co-partnership, is engaged in a general stage business for the transportation of passengers and baggage for hire between San Diego and Los Angeles, California, over both the coast and inland routes; from San Diego to Escondido, California; from San Diego to Oceanside, California; from San Diego to Julian and Ramona, California; from San Diego to Descanso, California; from San Diego to

El Centro, California, and from El Centro to the cities of Brawley and Calexico, California.

Pickwick Stages, Inc., has an authorized stock issue of \$100,000.00. It asks permission to issue \$53,500.00 of its stock in exchange for the properties and business goodwill of Pickwick Stages, a co-partnership, which properties are described in Exhibit "B" filed in this proceeding; to issue \$6,500.00 of stock to cover the cost of franchises reported in Exhibit "C" filed in this proceeding and to issue and sell at not less than par \$40,000.00 of stock for new equipment. In Exhibit "B", the value and cost price of the physical assets of Pickwick Stages, a co-partnership, as of January 1, 1921, are reported as follows:-

<u>Assets</u>	<u>Valuation</u>	<u>Cost Price</u>
Cash on hand and in bank,	\$3,825.00	\$3,825.00
Car No. 10 Cadillac 8,	1,000.00	1,500.00
Car No. 11 Cadillac 8,	1,500.00	1,500.00
Car No. 17 Cadillac 8,	2,000.00	2,100.00
Car No. 18 Cadillac 8,	2,000.00	1,800.00
Car No. 20 Cadillac 8,	2,000.00	2,100.00
Car No. 21 Cadillac 8,	2,000.00	2,000.00
Car No. 50 Cadillac 8,	2,100.00	2,100.00
Car No. 22-1920 Reo,	3,500.00	3,500.00
Car No. 23-1920 White,	4,000.00	4,000.00
Car No. 24-1920 White,	4,000.00	4,000.00
Car No. 25-Packard twin,	3,200.00	3,400.00
Stage depots and equipments in Imperial County,	1,800.00	1,800.00
Los Angeles Stage Depot,	900.00	900.00
San Diego Stage Depot,	2,400.00	2,400.00
Office fixtures,	200.00	350.00
Garage equipment,	500.00	600.00
Accounts receivable,	2,000.00	2,000.00
Business good-will,	25,000.00	25,000.00
Total,	\$63,925.00	\$64,875.00

Included in the value of the physical assets is an item of \$25,000.00 for business good-will. Counsel for applicant has filed a "Memorandum of Points and Authorities", which in his opinion justifies the inclusion of the \$25,000.00. The memorandum has been considered and I have reached the conclusion that the same principles

that govern the Commission in authorizing a gas and electric company to issue stock should govern the issue of stock by a stage company. In my opinion, applicants have not made a sufficient showing to warrant the issue of stock against the so-called business good-will. Deducting the \$25,000.00 from the \$63,925.00 reported as the value of the physical assets, leaves a balance of \$38,925.00. To acquire the assets described in Exhibit "B" free and clear of all encumbrances, I believe that Pickwick Stages, Inc., should be permitted to issue stock in such an amount as at 80 will net \$38,925.00. This calls for the issue of \$48,700.00 par value of stock.

In Exhibit "C" filed in this proceeding, the cost of acquiring various operating permits from local authorities is reported at \$6,619.56. These permits were secured prior to the effective date of the present statute. Under the former law, operating permits had to be obtained from every incorporated city and town in or through which it was intended to operate. It is of record that it required nearly 18 months to secure the necessary permits. I am of the opinion that Pickwick Stages, Inc., should be permitted to issue \$6,500.00 of common stock for the purpose of financing the cost of the permits described in Exhibit "C".

Pickwick Stages, Inc., asks authority to issue and sell at par \$40,000.00 of its common stock to acquire new equipment. A.L. Hayes, president of Pickwick Stages, Inc., and general manager of Pickwick Stages, a co-partnership, testified that more efficient service could be given if the company owned more of the equipment used in its operations. At the time of the hearing on this application, applicants operated 34 cars, of which 11 were owned by the co-partnership and the remainder were leased. If Pickwick Stages, Inc., is permitted to issue stock to acquire new equipment, such stock will be purchased, according to the testimony, by the present co-partners doing business under the name of Pickwick Stages, a co-partnership, and their associates. It is the intention of the management to purchase White or Pierce Arrow equipment. I believe that Pickwick Stages, Inc., should be permitted to issue and sell

stock to acquire additional equipment, but that no proceeds obtained from the sale of the stock should be expended until the Commission is furnished with a detailed statement showing the character of the equipment which the company intends to acquire with an estimated cost thereof.

I am of the opinion that the transfer of the operative rights of the Pickwick Stages, a co-partnership, to the Pickwick Stages, Inc., should be authorized, subject to the conditions of this order.

I herewith submit the following form of Order.

O R D E R

Application having been made to the Railroad Commission for authority to transfer properties and operative rights and to issue stock, a public hearing having been held and the matters having been duly submitted and the Commission being fully advised and of the opinion that the transfer herein sought should be authorized and that the money, property or labor to be procured through the issue of stock herein authorized is reasonably required by applicant, Pickwick Stages, Inc.;

IT IS HEREBY ORDERED, that PICKWICK STAGES, a co-partnership, be, and it is hereby, permitted to transfer to the PICKWICK STAGES, INC. the operative rights described in this application, subject however to compliance with the following conditions:-

- (1).--Pickwick Stages, a co-partnership, will be required to immediately cancel all tariffs, rates, classifications and time schedules now on file with the Railroad Commission. Applicant, Pickwick Stages, Inc., will be required to immediately file new time schedules, tariffs, rates and classifications, or adopt as its own the tariffs, rates, classifications and time schedules of Pickwick Stages, a

co-partnership, all tariffs, rates, classifications and time schedules to be the same as those heretofore filed by Pickwick Stages, a co-partnership. All cancellations and filing must be made in accordance with the provisions of General Order No. 51 and other regulations of the Railroad Commission.

(2).--The rights and privileges hereby authorized to be transferred may not again be transferred, assigned, leased, hypothecated, sold or operations thereunder discontinued unless the written consent of the Railroad Commission to such transfer, assignment, lease, hypothecation, sale or discontinuance of operation shall have first been secured.

(3).--No vehicle may be operated by applicant, Pickwick Stages, Inc., under the authority contained in this approval of transfer unless such vehicle is owned by said applicant, or is leased by it under a contract or agreement on a basis satisfactory to the Railroad Commission.

IT IS HEREBY FURTHER ORDERED, that PICKWICK STAGES, INC. be, and it is hereby, authorized to issue \$100,000.00 par value of common capital stock. The authority herein granted to issue said stock is subject to the following conditions:--

- 1.--Of the stock herein authorized to be issued, \$48,700.00 may be issued and delivered to the Pickwick Stages, a co-partnership, in full payment for the properties described in Exhibit "B".
- 2.--Of the stock herein authorized to be issued, \$6,500.00 may be sold by applicant for not less than par and the proceeds used to finance the acquisition of the operative rights and permits described in Exhibit "C".
- 3.--Of the stock herein authorized to be issued, \$44,800.00 may be sold by applicant, for cash, at not less than par.

All proceeds realized from the sale of the \$44,800.00 of stock shall be deposited in a special fund and expended only for such purposes as the Railroad Commission may hereafter authorize by a supplemental order or orders.

4.--Pickwick Stages, Inc., shall keep such record of the issue and sale 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, in so far as applicable, is made a part of this order.

5.--The authority herein granted will apply only to such stock as may be issued, sold and delivered on or before April 1, 1922.

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 October, 1921.

H. W. ...

Charles H. ...

J. J. ...

Commissioners.