

Decision No. 22490**ORIGINAL**

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 TANNER MOTOR LIVERY,)
 a corporation, to purchase, acquire)
 and hold all of the capital stock of) Application No. 16530
 Gray Line Motor Tours Co., a corpora-)
 tion, and in connection therewith to)
 issue certain promissory notes.)

In the Matter of the Application of)
 THE GRAY LINE, INC.,)
 a corporation, to issue ten thousand)
 shares of its capital stock and to)
 sell the same to Tanner Motor Livery,) Application No. 16531
 a corporation, and of said Tanner)
 Motor Livery to purchase and acquire)
 said capital stock and to issue cer-)
 tain promissory notes.)

In the Matter of the Application of)
 TANNER MOTOR LIVERY,)
 a corporation, to issue certain)
 promissory notes.) Application No. 16532

McCutchen, Olney, Mannon & Greene, and
 Carl I. Wheat, for Tanner Motor Livery.

Milton Marks for The Gray Line, Inc., Gray
 Line Motor Tours Co., California Gray Line
 Limousine Co., Ltd. and Yosemite Gray Line
 Limousines, Inc.

BY THE COMMISSION:

O P I N I O N

In the above entitled matters the Railroad Commission is asked to make its orders authorizing Tanner Motor Livery to purchase, acquire and hold all of the capital stock, \$13,000.00 par value, of Gray Line Motor Tours Co. and \$10,000.00 of the stock of The Gray Line, Inc. and to issue its promissory notes in the amounts hereinafter set forth, and authorizing The Gray Line, Inc. to issue and sell \$10,000.00 of its common capital stock.

The applications show that Tanner Motor Livery is a corporation organized under the laws of the State of California and engaged in the business of sight-seeing automotive transportation under the jurisdiction of the Commission, and also in the non-public utility automotive limousine and for-hire-car service in and about Los Angeles and Pasadena.

Gray Line Motor Tours Co., it appears, is engaged in the business of operating an automobile sight-seeing business between points in Southern California and The Gray Line, Inc. is in the business of operating an automobile sight-seeing business in and about San Francisco, and in addition certain automotive transportation service within San Francisco not under the jurisdiction of the Commission. California Gray Line Limousine Co., Ltd., also referred to in these proceedings, operates a non-public utility limousine service in and about Los Angeles and Pasadena.

Gray Line Motor Tours Co. has outstanding \$13,000.00 par value of common capital stock, The Gray Line, Inc. \$100,006.00 par value of common capital stock, and California Gray Line Limousine Co., Ltd. \$7,500.00 par value of common capital stock. The assets and liabilities of these three companies are reported in the applications as follows:

<u>ASSETS</u>	<u>Gray Line Motor Tours Co.</u>	<u>The Gray Line, Inc.</u>	<u>California Gray Line Limousine Co., Ltd.</u>
Fixed assets.....	\$124,989.85	\$189,338.33	\$16,303.03
Depreciation.....	79,094.84	107,119.46	3,283.03
Balance.....	45,895.01	82,218.87	13,020.00
Cash.....	1,570.71	500.00	2,216.46
Accounts receivable.....	4,094.61	50,507.28	639.58
Deferred charges.....	1,161.07	12,140.59	150.00
Goodwill.....	6,443.14	5,909.50	--
Total Assets.....	<u>\$ 59,164.54</u>	<u>\$151,276.24</u>	<u>\$16,026.04</u>
 <u>LIABILITIES</u> 			
Capital stock.....	\$ 13,000.00	\$100,006.00	\$ 7,500.00
Stock premium & assessments	189.12	--	4,500.00
Notes payable.....	31,425.00	22,000.00	4,000.00
Accounts payable.....	20,162.65	39,506.33	4,346.47
Accruals.....	1,091.06	--	--
Corporate deficit.....	6,703.29	10,236.09	4,320.43
Total Liabilities.....	<u>\$ 59,164.54</u>	<u>\$151,276.24</u>	<u>\$16,026.04</u>

It appears that Tanner Motor Livery has made arrangements to purchase all of the outstanding stock of Gray Line Motor Tours Co. and California Gray Line Limousine Co., Ltd. and \$10,000.00 of the stock of The Gray Line, Inc. presently to be issued. The agreed consideration for the \$13,000.00 of stock of Gray Line Motor Tours Co. is \$110,000.00, payable as follows:

In cash on May 1, 1930.....	\$ 15,000
In cash through the means of an escrow upon the securing of certain permits, etc.....	15,000
In six percent promissory notes dated May 1, 1930:-	
Due May 1, 1931.....	15,000
Due May 1, 1932.....	15,000
Due May 1, 1933.....	15,000
Due May 1, 1934.....	15,000
Due May 1, 1935.....	15,000
By the assumption of outstanding indebtedness.....	<u>5,000</u>
Total.....	<u><u>\$110,000</u></u>

The agreed purchase price for the \$10,000.00 of stock of The Gray Line, Inc. to be issued is \$25,000.00, payable as follows:

In cash.....	\$ 10,000
In six percent promissory notes dated May 1, 1930:-	
Due May 1, 1931.....	5,000
Due May 1, 1932.....	5,000
Due May 1, 1933.....	<u>5,000</u>
Total.....	<u><u>\$ 25,000</u></u>

The agreement for the purchase of stock of California Gray Line Limousine Co., Ltd. filed in these matters, provides for the purchase for \$10,400.00 of only \$4,875.00 of stock being sixty-five percent of the outstanding \$7,500.00 of stock, of which \$500.00 will be paid in cash and \$9,900.00 in six percent notes, dated May 1, 1930, nineteen notes being of the face amount of \$500.00 each and maturing in monthly installments beginning June 1, 1930, and one note of the

face amount of \$400.00 maturing one month thereafter. In this connection, it is reported that arrangements have been made by Tanner Motor Livery to purchase the remaining thirty-five percent of the outstanding stock of California Gray Line Limousine Co., Ltd. at the same rate, with payment to be made in cash.

To carry these various agreements into effect, Tanner Motor Livery has applied for permission to purchase and acquire the stocks of the other two public utility companies, Gray Line Motor Tours Co. and The Gray Line, Inc., and to issue such of the notes to be issued in payment for such stocks as mature later than twelve months after date of issue, and The Gray Line, Inc. has applied for permission to issue \$10,000.00 of stock for the purpose of paying indebtedness of \$6,500.00 incurred in the purchase of equipment and to finance the cost of additional equipment.

In addition to the matters outlined in these applications, it appears that other agreements, not requiring action by this Commission, have been made whereby, among other things, there will be transferred to Yosemite Gray Line Limousines, Inc., a non-public utility operating a limousine service in and about San Francisco, the property and business of the Lincoln Taxi Co. and Henry Wong Him, a like non-public utility business in the same locality held by Tanner Motor Livery. The purpose of the several agreements seems to be to effect a division whereby the properties and business in and about Los Angeles will be owned or controlled by the Tanner interests, and those in and about San Francisco, by the Gray Line interests, with the exception of the \$10,000.00 of stock of The Gray Line, Inc. to be held by Tanner Motor Livery.

The applications and the oral testimony clearly show that the proposed transactions and the consolidation of ownership are in

the public interest in that operating conditions will be improved, certain duplication eliminated and more frequent service in some cases given. It appears also that substantial operating economies will be effected. Analysis of the financial statements of Tanner Motor Livery indicates that its assets and earnings are ample to take care of the proposed note issues.

The matters presented in these proceedings do not involve the transfer of physical properties or operating rights. The amounts to be paid, therefore, by Tanner Motor Livery will not be chargeable to plant and equipment accounts. The testimony in this connection indicates that payments to be made on the notes to be issued will be charged against the company's corporate surplus account. Upon the record here presented, we will grant these applications, it being understood, however, that such action should not be construed as an admission by the Commission that any part of the purchase prices may in the future be capitalized through the issue of securities or charged to plant and equipment accounts in the event of the transfer of properties to Tanner Motor Livery. These matters, of course, are not now before us.

ORDER

Applications having been made to the Railroad Commission for orders authorizing Tanner Motor Livery to purchase, acquire and hold stock of public utility companies and to issue its promissory notes, and authorizing The Gray Line, Inc. to issue and sell stock, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the applications should be granted as herein provided and that the money, property or labor to be procured or paid for through the stock and note issues is

reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED that The Gray Line, Inc. be, and it hereby is, authorized to issue and sell at not less than par \$10,000.00 of its common capital stock and to use the proceeds to pay indebtedness of \$6,500.00 and to finance the cost of additional equipment.

IT IS HEREBY FURTHER ORDERED that Tanner Motor Livery be, and it hereby is, authorized to purchase, acquire and hold the outstanding capital stock, \$13,000.00 par value, of Gray Line Motor Tours Co. and \$10,000.00 of stock of The Gray Line, Inc., under the terms and conditions outlined in these applications.

IT IS HEREBY FURTHER ORDERED that Tanner Motor Livery be, and it hereby is, authorized, in part payment for the capital stock of Gray Line Motor Tours Co., to issue \$60,000.00 of its six percent promissory notes, dated May 1, 1930 and maturing in equal annual installments of \$15,000.00 on the first day of May of each of the years 1932 to 1935 inclusive; in part payment for the \$10,000.00 par value of stock of The Gray Line, Inc., to issue \$10,000.00 of its six percent promissory notes, dated May 1, 1930, one note for \$5,000.00 maturing on May 1, 1932 and one note for \$5,000.00 maturing on May 1, 1933; and, in part payment for the stock of California Gray Line Limousine Co., Ltd., to issue \$3,900.00 of its six percent promissory notes dated May 1, 1930, seven of such notes of the face value of \$500.00, one maturing on June 1, 1931 and one on the first day of each succeeding calendar month to December, 1931, inclusive, and one note for \$400.00 maturing on January 1, 1932.

The authority herein granted is subject to the following conditions:

- (1) The Gray Line, Inc. and Tanner Motor Livery shall

keep such record of the issue of the stock or notes herein authorized and of the disposition of the proceeds as will enable them to file, on or before the 25th day of each month, verified reports as required by the Railroad Commission's General Order No. 24, which order, insofar as applicable, is made a part of this order.

(2) The authority herein granted to issue notes will become effective when Tanner Motor Livery has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$74.00. In other respects the authority herein granted will become effective upon the date hereof.

DATED at San Francisco, California, this 27th day of May, 1930.

~~*C. J. James*~~
~~*W. M. DeLoach*~~
~~*Leon A. White*~~
~~*Paul S. Lewis*~~

Commissioners.

