

Decision No. 28852

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SACRAMENTO NAVIGATION COMPANY, a cor-)
poration, SACRAMENTO TRANSPORTATION)
COMPANY, a corporation, FARMERS TRANS-)
PORTATION COMPANY, a corporation, FAY)
TRANSPORTATION COMPANY, a co-partner-)
ship and SACRAMENTO & SAN JOAQUIN)
RIVER LINES, INC., a corporation, for)
an order authorizing (1) the sale and)
transfer of certain transportation)
properties, (2) the issue of stock by)
Sacramento & San Joaquin River Lines,)
Inc., and (3) the discontinuance of)
common carrier services by Sacramento)
Navigation Company and Fay Transporta-)
tion Company and the carrying on and)
rendition of said services by Sacra-)
mento & San Joaquin River Lines, Inc.)

Application No. 20450

ORIGINAL

McCutchen, Olney, Mannon & Greene, by John O. Moran,
for applicants.
J. Richard Townsend, for Freighters, Inc., protestant.

BY THE COMMISSION:

O P I N I O N

In this proceeding the Railroad Commission is asked to enter its order (1) authorizing applicants Sacramento Navigation Company, Sacramento Transportation Company, Farmers Transportation Company and Fay Transportation Company, a co-partnership, composed of Nahum Fay and Norvin Fay, to sell and transfer to applicant, Sacramento & San Joaquin River Lines, Inc. the transportation properties, operative rights, franchises, business and good will of said applicants pursuant to the terms of the agreement filed in this proceeding as Exhibit F; (2) authorizing applicant Sacramento & San Joaquin River Lines, Inc. to issue \$200,000. par value of its common capital stock, for the purpose of acquiring the aforesaid properties; and (3) authorizing applicant Sacramento Navigation Company and Fay Transportation Company upon the sale of the aforesaid properties, to discontinue the common carrier

services of said applicants, and authorizing applicant Sacramento & San Joaquin River Lines, Inc. to undertake to carry on said services.

The California Transportation Company, a corporation, Sacramento Navigation Company, a corporation, and Fay Transportation Company, a co-partnership, composed of Nahum Fay and Norvin Fay, are by Decision No. 27715, dated January 31, 1935 in Application No. 17898, authorized to unify and have unified their operations under the name of The River Lines, in accordance with the terms of the agreement filed in Application No. 17898 dated January 15, 1935, as Exhibit A.

Both the Sacramento Navigation Company and the Fay Transportation Company have provided The River Lines with certain properties which are owned by them or under their control. It is now proposed that the properties owned or controlled by the Sacramento Navigation Company and the properties owned by the Fay Transportation Company and used in The River Lines operation, be transferred to a new corporation, to-wit, Sacramento & San Joaquin River Lines, Inc.

The properties to be transferred are referred to specifically in the agreement filed in this proceeding as Exhibit F, which agreement dated January 2, 1936, is between the Sacramento Transportation Company, Farmers Transportation Company, Sacramento Navigation Company, together constituting the parties of the first part, and Fay Transportation Company, the party of the second part. They agree to organize as soon as practical a new corporation to be known as Sacramento & San Joaquin River Lines, Inc., or a corporation under such other name as the parties may agree upon. The agreement further provides that 50% of the stock to be presently issued by the new corporation shall be issued to the Sacramento Navigation Company in consideration of the conveyance and transfer of the properties to be made by the parties of the first part and 50% of the stock to be presently issued shall be issued to the Fay Transportation Company. The parties of the first part agree that as soon as legally permitted they will, in accordance with their

respective interests, convey, transfer, assign and set over or cause to be conveyed, transferred, assigned and set over to the new corporation the floating equipment set forth in Schedule A annexed to the agreement (Exhibit F), together with all terminal and shipyard properties, fixtures, movable equipment, franchises, operative rights and contracts used or useful in the transportation business, conducted under The River Lines, including good will. Such conveyance, transfer and assignment shall be free and clear of all liens, encumbrances and indebtedness of whatsoever kind or character. The Fay Transportation Company agrees upon the formation of the new corporation and as soon as any and all authority necessary to that end can be obtained, to convey, transfer and assign and set over unto the new corporation the floating equipment set over in Schedule B annexed to the agreement (Exhibit F), together with all terminal properties, facilities, movable equipment, franchises, operative rights and contracts used or useful in the transportation business conducted by The River Lines and including good will. Such conveyance, transfer and assignment shall likewise be free and clear of all liens, encumbrances and indebtedness of whatsoever kind and character.

The Sacramento Transportation Company will transfer to the new corporation the following equipment, to-wit, the launches Lorna and Geof and the barges Virginia, Vermont, Nebraska, Riverside, Sutterville, Onisbo, Courtland, Richland, Antioch, Derrick Barge, Minnesota, Michigan, Ohio, Varney, Louisiana, Kentucky, Indiana. The Fay Transportation Company agrees to transfer to the new corporation the barge known as Fay No. 1, the Diesel boats Sonoma, Yuba and Sutter; and the Towboats Solano and Glenn, unless the Glenn shall be purchased by The River Lines pursuant to the option of purchase under the existing charterparty to The River Lines, or any extension or renewal thereof. If the Glenn shall be so purchased by The River Lines, the respective interests of the parties to the agreement shall be conveyed and transferred to the

new corporation, as provided in the agreement.

The cost of the properties which will be acquired by Sacramento & San Joaquin River Lines, Inc. are reported in Exhibits one and five as follows:-

Name of Owner	Cost	Accrued Depreciation	Cost Less Depreciation
Sacramento Transportation Co.	\$365,848.15	\$205,746.82	\$165,791.83
Sacramento Navigation Co.	85,778.63	37,191.03	48,587.60
Fay Transportation Company	228,608.09	123,677.90	104,730.19
Total.....	\$680,234.87	\$366,615.75	\$319,109.62

The figures submitted by Sacramento Transportation Company are in some instances based on appraisals, and not on cost. Mr. P. E. Dufour, an assistant engineer for the Commission, in Exhibit 8 reports the present value of the properties of Sacramento Transportation Company and Sacramento Navigation Company at \$200,249.00. Because of missing records he was unable to determine the cost of the properties. Mr. Norvin Fay testified that the present value of the properties of Fay Transportation Company is about \$220,000.00.

We are satisfied that both the present value, and the cost less accrued depreciation of the properties which the Sacramento & San Joaquin River Lines, Inc. intends to acquire are in excess of \$200,000. For the purpose of this proceeding it is not necessary to make a definite finding as to either the cost or the present value of the properties.

As said, the new corporation will issue \$200,000. of stock in payment for the aforementioned properties, \$100,000. of which will be issued to Fay Transportation Company and \$100,000. to Sacramento Navigation Company, Sacramento Transportation Company and Farmers Transportation Company. We are not interested in the distribution of the \$100,000. among the last three named companies.

J. Richard Townsend asks the Commission to deny applicant's requests, or if it grant the same, require Sacramento & San Joaquin River Lines, Inc. to assume any liabilities the vendors may have incurred. The proposed transfer is for valuable consideration, since the selling companies will receive stock of the purchasing corporation. In authorizing the transfer it is therefore unnecessary for us to attach any conditions imposing upon the purchaser the additional obligation of assuming the debts of the sellers.

The record shows that the transfer of the several properties to a new corporation will be in the public interest, particularly so if the unified operating agreement were for any reason, set aside. By authorizing the vendors to sell all of their operative rights and cancel their tariffs, we are permitting them to discontinue their common carrier services.

ORDER

The Commission having been asked to enter its order, as indicated in the foregoing opinion, a public hearing having been held before Examiner Fankhauser and the Commission having considered applicants' requests and being of the opinion that the money, property or labor to be procured or paid for through the issue of \$200,000. of common stock by the Sacramento & San Joaquin River Lines, Inc. is reasonably required for the purposes herein stated, and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income and that this application should be granted as herein provided, therefore,

IT IS HEREBY ORDERED as follows:-

1. Applicants Sacramento Navigation Company, a corporation, Sacramento Transportation Company, a corporation, Farmers Transporta-

tion Company, a corporation, and Fay Transportation Company, a co-partnership composed of Nahum Fay and Norvin Fay, may sell and transfer on or before September 1, 1936, to applicant Sacramento & San Joaquin River Lines, Inc. their transportation properties, operative rights, franchises, business and good will, described in the agreement filed in this proceeding as Exhibit F, said sale and transfer to be made pursuant to the terms of said agreement.

2. In payment for the aforesaid properties, Sacramento & San Joaquin River Lines, Inc. may issue, on or before September 1, 1936, at not less than par, \$200,000. par value of its common capital stock, such stock to be issued under the terms and provisions of the agreement filed in this proceeding as Exhibit F.

3. Sacramento Navigation Company, Fay Transportation Company and Sacramento & San Joaquin River Lines, Inc. shall join in a common supplement, to be filed in triplicate, to the tariffs on file with the Commission wherein said Sacramento Navigation Company and Fay Transportation Company on the one hand withdraw, and Sacramento & San Joaquin River Lines, Inc. ^{on the other hand} accepts and adopts such tariffs and all effective supplements thereto.

4. Within sixty(60) days after the acquisition of the aforesaid properties, Sacramento & San Joaquin River Lines, Inc. shall file with the Railroad Commission a copy of each instrument of conveyance under which it acquired and holds title to said properties, and also a copy of the opening journal entries and balance sheet.

5. Sacramento & San Joaquin River Lines, Inc. shall keep such record of the issue, sale and delivery 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.

DATED at San Francisco, California, this 1st day of June 1936.

M. B. Lewis

W. A. Gunn

Walter Mann

John R. Allen

Commissioners.