

Decision No. ~~20766~~
29766

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of }
PACIFIC FREIGHT LINES, }
a corporation, to purchase and ac- } Application No. 21162
quire stock of Keystone Express }
System, a corporation. }

Wallace K. Downey, for applicant.

BY THE COMMISSION:

ORIGINAL

O P I N I O N

In this proceeding Pacific Freight Lines, a corporation, asks permission to acquire all of the issued and outstanding stock of Keystone Express System, a corporation.

The Commission by Decision No. 28850 dated May 28, 1936 in Application No. 20580 authorized Keystone Express System, a corporation, to issue 10 shares of its common capital stock of the aggregate par value of \$1,000. to L.R.Kagarise in payment for his operative rights, rolling equipment and other assets set forth in Exhibits A, B and C, filed in said Application No. 20580.

The pending application shows that on June 1, 1936 G.M. Duntley and Frank A. Daugherty, the president and secretary of Pacific Freight Lines, entered into an agreement with L.R.Kagarise, the sole owner of the stock of the Keystone Express System, wherein and whereby said G.M.Duntley and Frank A. Daugherty agreed to purchase all of the common stock of the Keystone Express System. A copy of the agreement under which they agree to acquire such stock is filed in this proceeding as Exhibit A, and an amendment to the agreement as Exhibit B. Under the terms of the agreement G.M.Duntley and Frank A. Daugherty agreed to pay \$187,500. for the stock of the Keystone Express System. The application shows that of this sum, \$83,571.42 has been paid,

leaving unpaid the sum of \$103,928.58.

Applicant's petition shows that it has succeeded to the rights of G.M.Duntley and Frank A. Daugherty under the agreements filed herein as Exhibits A and B and that it desires permission to acquire all of the outstanding stock of the Keystone Express System.

It appears that in the performance of the agreement L.R.Kagarise, G. M. Duntley and Frank A. Daugherty caused an escrow to be established with the Security First National Bank of Los Angeles. A copy of the escrow agreement and instructions is filed in this proceeding as Exhibit C. The common stock of Keystone Express System is now in the hands of said Security First National Bank of Los Angeles, as escrow holder, and will remain there until the final payments have been made to L.R.Kagarise.

This proceeding does not involve the issue of any securities or the transfer of any properties owned by Keystone Express System; or the fixing of rates. When any of such issues are presented, we may find unreasonable the price applicant is paying for the stock of Keystone Express System.

ORDER

The Commission having been asked to enter its order as indicated in the foregoing opinion and having considered applicant's request and being of the opinion that this is not a matter in which a public hearing is necessary and that this application should be granted, therefore,

IT IS HEREBY ORDERED that Pacific Freight Lines, a corporation, be, and it is hereby, authorized to purchase and hold all of the issued and outstanding capital stock of Keystone Express System, a corporation, subject to the condition that the Commission reserves

the right to refuse to recognize the consideration paid by Pacific Freight Lines for said stock as the basis for the issue of stock or the creation of indebtedness, or for accounting or rate fixing purposes.

DATED at San Francisco, California, this 17th day of May, 1937.

Frank R. DeWitt
Robert A. DeWitt
Ray & Alley
Commissioners.