

Decision No. 23511

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
PACIFIC FREIGHT LINES, a corporation,) Application No. 23511
and KEYSTONE EXPRESS SYSTEM, a cor-)
poration, for permission to merge.)

WALLACE K. DOWNEY, for Applicants.

RILEY, Commissioner:

ORIGINAL

O P I N I O N

The applicants Pacific Freight Lines and Keystone Express System, each a California corporation, propose to merge pursuant to section 361, Civil Code. By this proceeding, authority to consummate the merger is sought under section 51 (a) Public Utilities Act.

A public hearing was had at Los Angeles on September 12, 1940, when evidence was offered and the matter submitted. No one appeared in protest to the granting of this application.

Each of applicants operates as a highway common carrier as defined by section 2-3/4 Public Utilities Act pursuant to certificates of public convenience and necessity and other operative rights now possessed. The operative rights of Keystone Express System (hereinafter referred to as Keystone) and all other property which it now owns will pass to the surviving corporation by operation of law.

Applicants propose to enter into an agreement pursuant to section 361, Civil Code, providing for the merger of the two corporations. Under this agreement Pacific Freight Lines (hereinafter referred to as Pacific) will be the surviving corporation. All of

the capital stock of Keystone now issued and outstanding, comprising ten shares now held by Pacific, will be delivered to Keystone and cancelled. Thus the capital structure of the surviving corporation will remain unchanged.

Keystone is a wholly owned subsidiary of Pacific, the latter having been authorized to acquire the stock of the former by Decision No. 29766, dated May 17, 1937, on Application No. 21162. Of the capital stock of Keystone, ten shares only are now outstanding, which are held in escrow to secure the payment of the purchase price thereof to the assignees of L. R. Kagarise, the former owner of the stock. Of the total purchase price there remains unpaid on account of the principal a balance of \$15,048.45 which will be paid before the consummation of the merger.

From the balance sheets submitted by applicants and the giving effect balance sheet as of June 30, 1940, the property which will pass from Keystone to the surviving corporation includes cash amounting to \$10,719.17 and tangible property having a depreciated value of \$15,766.84.

The proposed merger, it was shown, would simplify corporate accounting through the elimination of accounting incident to the Keystone operations, and would be, therefore, productive of certain economies. I am of the opinion that it is in the public interest and the application, accordingly, will be granted.

O R D E R

Application having been made by Pacific Freight Lines and Keystone Express System for authority to merge, a public

hearing having been had, evidence having been offered, and the matter having been duly submitted:

IT IS ORDERED:

(a) That the applicants Pacific Freight Lines, a corporation, and Keystone Express System, a corporation, be and they are hereby authorized to merge as provided by section 361 of the Civil Code of the State of California;

(b) That said applicants may, within the period of six (6) months from the date hereof, execute a merger agreement similar in form to that filed in this proceeding on June 10, 1940, as an exhibit accompanying the application herein; and

(c) That within thirty (30) days after the execution of said merger agreement Pacific Freight Lines shall file with the Commission two certified copies thereof.

The authority herein granted is subject to the following conditions:

1. The Commission makes no finding hereinwith respect to the value of applicant's property, and it reserves the right not to recognize the consideration paid by Pacific Freight Lines for said shares of stock of Keystone Express System, as the basis for the issue of stock, the creation of indebtedness, for accounting, or for rate-fixing purposes.
2. Applicants shall not merge or consolidate the certificates of public convenience and necessity they now hold, without the express approval of the Commission.

The effective date of this order shall be the date hereof.

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 1st day of
October, 1940.

Ray & Riley
Frank D. ...
...
...
Justice J. ...
COMMISSIONERS