

Decision No. 35990

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of THOMAS R. CARPENTER, doing business as Inglewood Transit Lines for permission to sell and assign certain operative rights and property and to withdraw from the rendering of service within the City of Inglewood, California, and between said city and the City of Hawthorne, the Los Angeles Municipal Airport and the City of El Segundo, all in the State of California, and of INGLEWOOD CITY LINES, a corporation for permission to exercise said operating rights and for an order authorizing the issuance of certain securities.

Application
No. 25340

Vernon P. Spencer, for Applicants

Gibson, Dunn & Crutcher and Max Eddy Utt,
for Los Angeles Railway Corporation,
interested party.

BY THE COMMISSION:

O P I N I O N

Thomas R. Carpenter, doing business under the fictitious firm name and style of "Inglewood Transit Lines," asks permission to sell his operative rights, some real property, his passenger stage equipment and business to Inglewood City Lines, and withdraw from the passenger transportation business.

Inglewood City Lines asks permission to acquire said operative rights, properties and business and to issue at \$100 per share, for the purposes hereinafter stated, 240 shares (par value of \$100 per share) of 5% cumulative preferred stock and 246 shares of no par value common stock.

Thomas R. Carpenter is operating a passenger transportation business under certificates of public convenience and necessity granted by the Railroad Commission by the following decisions:

- Decision No. 16213, dated March 17, 1926, in Application No. 12121
- Decision No. 29020, dated July 27, 1936, in Application No. 20566
- Decision No. 31268, dated September 19, 1938, in Application No. 22039
- Decision No. 33476, dated September 10, 1940, in Application No. 23562
- Decision No. 34046, dated March 25, 1941, in Applications No. 23821 and 23942

The routes over which he operates are shown on a map filed in this proceeding as Exhibit A.

In addition, he operates two lines by virtue of 1942 Inglewood City Licenses No. 243 and 244. Further, he transports school children under a contract dated August 24, 1942 between Inglewood Transit Lines and the Board of Education, Inglewood City School District, Los Angeles County, California.

There was filed at the hearing as Exhibit No. 1, a copy of the agreement by and between Thomas R. Carpenter and Ella M. Carpenter, doing business under the firm name and style of Inglewood Transit Lines, and the Pacific City Lines, Inc. The Pacific City Lines, Inc. agrees to pay \$37,564 for the operative rights, licenses, contract, a parcel of real property, twenty-three motor buses, a service truck, materials and supplies

and transportation business of Thomas R. Carpenter. This amount includes the assumption of the payment of \$3,564 due on three motor coaches. Of the remaining purchase price, to-wit: \$34,000, \$10,000 will be paid in cash and \$24,000, represented by two \$12,000 notes, payable at the rate of \$200 per month. The notes will bear no interest and will be issued by the Pacific City Lines, Inc. The payment of the notes will be secured by the deposit of \$24,000 of 5% cumulative preferred stock of Inglewood City Lines. The real property, motor buses, service truck, and materials and supplies have been appraised by applicant, Inglewood City Lines, at \$32,200.

Inglewood City Lines is a California corporation. It has an authorized stock issue of 10,750 shares, divided into 750 shares of preferred stock and 10,000 shares of common stock. The preferred shares have a par value of \$100 each. The common shares have no par value. The company's Articles of Incorporation presently provide that the holders of the common shares issued and outstanding, except as otherwise provided by law or otherwise expressly provided by the Articles of Incorporation, shall have and possess the sole and exclusive right of notice to shareholders' meetings and the sole and exclusive voting rights and powers. They further provide that the holders of preferred shares of stock shall be entitled to receive out of any funds of the corporation at the time legally available for the declaration of dividends, dividends at the rate of 5% per annum or the par value thereof, payable semi-annually, or at such time as the Board of Directors may from time to time determine when, and as declared by the Board of Directors. Such dividends shall

be payable before any dividend shall be declared or paid upon or set apart by the common shares of stock. In the event cumulative dividends on the preferred shares shall be unpaid, in whole or in part, for a period of eighteen months, then so long as any of such cumulative dividends on the preferred shares are in arrears and no longer, the holders of the preferred shares issued and outstanding shall be entitled exclusively to notice of shareholders' meetings and exclusively to voting rights.

Inglewood City Lines asks permission to issue 240 shares of its 5% cumulative preferred stock on a basis of \$100 per share and 246 shares of its no par value common stock at \$100 per share.⁽¹⁾ All of the stock will be issued to Pacific City Lines, Inc. for properties and cash. Through the issue of the preferred stock and the payment of \$4,630 in cash, Inglewood City Lines will acquire the properties of Inglewood Transit Lines. The tangible properties have been, as said, appraised at \$32,200. It will assume the payment of \$3,564 due on three of the motor coaches. It asks permission to use \$10,000 of the stock proceeds to make a down payment on fifteen new motor coaches and use \$9,970 of such proceeds for working capital. The testimony shows that about \$5,000 of the \$9,970 will be used to repair equipment purchased from Thomas R. Carpenter. As stated, Pacific City Lines, Inc. will deposit the 240 shares of preferred stock as collateral to secure the payment of the \$24,000 of notes which it will issue in part

⁽¹⁾ In its original petition, Inglewood City Lines asks permission to issue 2,463 shares of no par value common stock at \$10 per share.

payment for the properties to Thomas R. Carpenter. The payment of these notes will remain an obligation of Pacific City Lines, Inc. and will not be assumed by the Inglewood City Lines.

The testimony shows that Thomas R. Carpenter does not now own all of the equipment that is being used in his motor coach operations. Recently he has been leasing five motor coaches from the Glendale City Lines, Inc. Inglewood City Lines is presently negotiating for the purchase of fifteen new motor coaches at a cost of about \$60,000. If it acquires these coaches, it will use \$10,000 of the stock proceeds to make a down payment. There is no doubt but that the purchase of the coaches is necessary and desirable.

The evidence before us shows that Pacific City Lines, Inc. and its subsidiary, Inglewood City Lines, will pay a total of \$37,564 for the properties and business of Thomas R. Carpenter. This amount includes a balance of \$3,564 due on three motor coaches. The properties have been appraised at \$32,200 or at \$5,364 less than the purchase price. There is no evidence before us showing what amount, if any, Thomas R. Carpenter has expended to obtain the operative rights which he has agreed to sell to Pacific City Lines, Inc. and which it in turn will transfer to Inglewood City Lines. In view of this situation, we feel that the \$5,364 should not be transferred to Inglewood City Lines. We are further of the opinion that the Articles of Incorporation of Inglewood City Lines should be amended so as to place the holders of the preferred stock of that company on a parity, except as otherwise provided by law, with the holders of the company's common stock as to notices

of stockholders' meetings and voting rights.

O R D E R

A public hearing having been held on the above entitled matter before Examiner Fankhauser; the Commission having considered the evidence submitted at such hearing and it being of the opinion that the money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required by Inglewood City Lines for the purposes herein stated; that the expenditures for said purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted subject to the provisions of this Order, therefore

IT IS HEREBY ORDERED as follows:

1. Thomas R. Carpenter and Ella M. Carpenter, doing business under the firm name and style of Inglewood Transit Lines, may sell to Inglewood City Lines, a corporation, the operative rights, licenses, contract, properties and business referred to in the foregoing Opinion, and which are more particularly described in Exhibit 1 on file in this proceeding. Inglewood City Lines may acquire and operate said operative rights, licenses, contract, and properties.

2. Inglewood City Lines may, after the effective date hereof and on or before January 31, 1943, issue at not less than \$100 per share, 240 shares of its 5% cumulative preferred stock, and at not less than \$100 per share, 246 shares of no par value common stock for the purpose of acquiring the

aforesaid properties, to make a down payment of \$10,000 on the purchase of fifteen new motor coaches, and to provide the company with \$9,970 for working capital and the repair of motor coach equipment purchased from Thomas R. Carpenter.

3. Concurrently with the sale of said operative rights, licenses, contract, and properties, said Thomas R. Carpenter, doing business as Inglewood Transit Lines, may withdraw from his passenger transportation business conducted under said operative rights.

4. Applicants shall comply with the rules of the Commission's General Orders No. 79 and 80 and part IV of General Order No. 93-A by filing in triplicate, and concurrently making effective, tariffs and time schedules satisfactory to the Commission, within thirty (30) days from the effective date of this Order and on not less than five days' notice to the Commission and to the public.

5. The authority herein granted will become effective when Inglewood City Lines has amended its Articles of Incorporation in conformity with the provisions of the Opinion preceding this Order, and has filed with the Commission a certified copy of said amended Articles of Incorporation.

6. Inglewood City Lines shall file with the Railroad Commission such reports as are required by the Commission's General Order No. 24-A, which order insofar as applicable is made a part of this Order.

7. The authority herein granted is subject to the provisions of Section 52(b) of the Public Utilities Act, and further to the condition that Inglewood City Lines, its

successors and assigns shall never claim before this Commission or any court or any other public body, a value for said operative rights, or claim as a cost thereof, an amount in excess of that paid for said rights by those to whom said rights were originally granted.

Dated at San Francisco, California, this 1st day of December, 1942.

Arthur J. Craven

W. J. Baker

Francis D. Havenner

Richard Kachse

Commissioners