

Decision No. 38465

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

| | | |
|---------------------------------------|---|-------------|
| In the matter of the application of |) | |
| (1) Sacramento-Corning Freight Lines, |) | |
| Ltd. to issue additional stock |) | Application |
| |) | No. 27051 |
| (2) Valley Motor Lines, Inc. to |) | |
| purchase the stock of Sacramento- |) | |
| Corning Freight Lines, Ltd. |) | |
| ----- |) | |

BEROL & HANDLER, by MARVIN HANDLER,
for Valley Motor Lines, Inc.

THOMAS O'HARA, for Sacramento-Corning
Freight Lines, Ltd.

ANDERSON, COMMISSIONER:

O P I N I O N

In this application, the Railroad Commission is asked to make its order authorizing Sacramento-Corning Freight Lines, Ltd., to issue 142-2/3 shares of its no par value common stock in exchange for certain real and personal property, and authorizing Valley Motor Lines, Inc., to purchase all the outstanding stock of Sacramento-Corning Freight Lines, Ltd., including the shares now proposed to be issued.

A public hearing, after notice, was held on this matter on November 23, 1945. No protest to the granting of the application has been submitted to the Commission.

The application shows that Sacramento-Corning Freight Lines, Ltd., is a corporation organized under the laws of the

State of California: It has an authorized capital stock of 1,000 shares without nominal or par value, of which 100 shares are outstanding all of which are held by Gene Antichi and Angela Antichi, his wife. Its assets and liabilities, as of October 31, 1945, are reported as follows:

Assets

| | | |
|-------------------------------|-----------------|--------------------|
| Cash on hand in bank | | \$26,078.31 |
| Accounts receivable | | 1,385.81 |
| Securities of other companies | | 6,383.35 |
| Intangibles | | 6,054.68 |
| Plant and equipment | \$ 6,443.55 | |
| Less: depreciation reserve | <u>5,179.80</u> | <u>1,263.75</u> |
| Total Assets | | <u>\$41,165.90</u> |

Liabilities

| | | |
|---------------------|--|--------------------|
| Accounts payable | | \$ 1,918.11 |
| Accruals | | 6,603.10 |
| Due to stockholders | | <u>22,757.00</u> |
| Sub-total | | 31,278.21 |
| Capital stock | | 1,000.00 |
| Surplus | | <u>8,887.69</u> |
| Total Liabilities | | <u>\$41,165.90</u> |

The corporation is engaged in the business of operating automotive freight lines for the transportation of property between Redding and Sacramento and other points. In the conduct of its business it operates not only equipment it owns, but also, on a rental basis, certain units of equipment, and other property, owned personally by Gene Antichi and Angela Antichi. Its financial statements show expenditures for rent of facilities at \$19,204.66 in 1943, at \$15,393.19 in 1944 and at \$12,869.41 during the first ten months of 1945. The corporation's operating revenues and its operating expenses, including the aforesaid rents, have been reported as follows:

| | <u>1943</u> | <u>1944</u> | <u>1945</u> <u>10 months</u> |
|--------------------|--------------------|--------------------|---------------------------------|
| Operating revenues | \$97,362.06 | \$96,807.77 | \$88,386.39 |
| Operating expenses | <u>97,875.11</u> | <u>94,723.32</u> | <u>84,103.59</u> |
| Balance | <u>\$ (513.05)</u> | <u>\$ 2,084.45</u> | <u>\$ 4,282.80</u> |

Gene Antichi and Angela Antichi now propose to transfer to Sacramento-Corning Freight Lines, Ltd., their personally owned property used by it in exchange for 142-2/3 shares of the corporation's stock on a basis of \$262.50 a share, making a total of \$37,450. The properties to be thus transferred and the values agreed upon by the parties for the purpose of this transaction are reported as follows:

| | |
|---------------------------------------|-----------------|
| Trucks, tractors, etc. - eleven units | \$30,400 |
| Realty - Redding | 6,500 |
| Red Bluff | 250 |
| Williams | <u>300</u> |
| Total | <u>\$37,450</u> |

Testimony was given to the effect that for the eleven units of equipment the O.P.A.'s "as is" ceiling price is \$27,098, the O.P.A.'s "warranted" ceiling price \$35,725, and the estimated fair market value of these particular units, \$33,464. The values assigned to the realty, with improvements, represent the estimated present values.

In arriving at the number of shares of stock to be issued, applicants estimate the present value of the corporation's presently owned property, exclusive of intangibles, at \$26,250, an amount which is equivalent to \$262.50 for each of the presently outstanding 100 shares of stock. It is desired to issue the additional shares on the same basis.

Valley Motor Lines, Inc., has entered into an agreement (Exhibit B) with Gene Antichi and Angela Antichi, to purchase all the shares of stock of Sacramento-Corning Freight Lines, Ltd., including those proposed to be issued, for \$90,000 subject to certain adjustments as indicated in the agreement. Of the purchase price, the sum of \$30,000 is payable in cash upon receipt of orders of the Railroad Commission and the Interstate Commerce Commission, and the balance will be represented by a note payable in monthly installments of not less than \$1,000 with interest at the rate of 5% per annum on unpaid balances. In support of the basic price of \$90,000, applicants have submitted appraisal values of the properties of Sacramento-Corning Freight Lines, Ltd., and of the Antichis, which aggregate \$90,000, including \$26,300 for intangible capital.

In support of the request of Valley Motor Lines, Inc., to acquire stock of Sacramento-Corning Freight Lines, Ltd., it is urged that the transaction is in the public interest. It appears that Valley Motor Lines, Inc., operates freight lines between points in the San Joaquin Valley and San Francisco and the bay district on the one hand and points in the Sacramento Valley, on the east side of the valley, as far north as Red Bluff, on the other hand. Sacramento-Corning Freight Lines, Ltd., operates lines between Folsom and Sacramento and between Sacramento and points on the west side of the Sacramento Valley, running as far north as Redding and Shasta Dam. The testimony shows that there is a considerable tonnage moving between San Francisco and the bay district on the one hand and points served by Sacramento-Corning Freight Lines, Ltd., on the other hand which must be transferred at Sacramento, resulting in a delay of

one day in a movement between San Francisco and Redding, which delay would be eliminated if the operations of the two companies were integrated under one management. The testimony further shows that the present demand for service on the lines of Sacramento-Corning Freight Lines, Ltd., is in excess of that company's ability to supply with the present equipment it operates, and that Valley Motor Lines, Inc., has available equipment to meet this demand for service. It appears that certain economies can be effected through the use of one terminal at Sacramento and through the elimination of duplicating pickup and delivery service.

A review of the record indicates that the program outlined in this application should be in the public interest and that the requests of applicants should be granted. It appears that it is the intention of those in control of the affairs of Valley Motor Lines, Inc., at some later date to cause the transfer to Valley Motor Lines, Inc., of the rights and properties of Sacramento-Corning Freight Lines, Ltd., and although the value of such rights and properties is not an issue in this proceeding, Valley Motor Lines, Ltd., is hereby placed upon notice that the Commission will not in the future recognize the \$90,000 purchase price as a basis for an order fixing rates or authorizing the issue of securities by Valley Motor Lines, Inc., or determining the amounts to be entered by Valley Motor Lines, Inc., in its property accounts.

In the event the value of the properties of Sacramento-Corning Freight Lines, Ltd., becomes an issue in any future proceeding, the Commission will consider the matter de novo and

will base its order on such evidence as may be before it at that time. In connection with the claimed value of \$26,300 for intangibles of Sacramento-Corning Freight Lines, Ltd., the attention of applicants is directed to Section 52b of the Public Utilities Act, which provides, in part, that the Commission shall have no power to authorize the capitalization of any franchise or permit whatsoever, or the right to own, operate or enjoy any such franchise or permit, in excess of the amount (exclusive of any tax or annual charge) actually paid to the State or to a political subdivision thereof as the consideration for the grant of such franchise, permit or right.

The following form of order is submitted.

ORDER

Application having been made to the Railroad Commission as indicated in the foregoing opinion, and the Commission having considered the evidence submitted and it being of the opinion that the money, property or labor to be procured or paid for through the issue of 142-2/3 shares of stock by Sacramento-Corning Freight Lines, Ltd., is reasonably required by it for the purposes herein stated, and that said purposes are not, in whole or in part, reasonably chargeable to operating expenses or income, and that the money, property or labor to be procured or paid for through the issue of a note for not exceeding \$60,000 is reasonably required by Valley Motor Lines, Inc., for the purpose specified herein, and that this application should be granted as herein provided, therefore,

IT IS HEREBY ORDERED as follows:

1. Sacramento-Corning Freight Lines, Ltd., after the effective date hereof and on or before June 30, 1946, may issue 142-2/3 shares of its capital stock in full payment for the properties referred to in this proceeding to be acquired from Gene Antichi and Angela Antichi.

2. Valley Motor Lines, Inc., may, after the effective date hereof, acquire and thereafter hold all the outstanding shares of stock of Sacramento-Corning Freight Lines, Ltd., including the 142-2/3 shares herein authorized to be issued.

3. Valley Motor Lines, Inc., after the effective date of this order and on or before June 30, 1946, may issue its promissory note in the principal amount of not exceeding \$60,000, payable in monthly installments of not less than \$1,000 with interest at the rate of 5% per annum on unpaid balances, to pay in part the cost of the shares of stock of Sacramento-Corning Freight Lines, Ltd., it is herein authorized to acquire.

4. The authority herein granted will become effective when Valley Motor Lines, Inc., has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Sixty (\$60.00) Dollars.

5. Sacramento-Corning Freight Lines, Ltd., and Valley Motor Lines, Inc., shall file with the Commission reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

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 10th day of December, 1945.

Harold Gudwin

Francis Cron

Dean F. Lowell

Harold P. Kuls

Commissioners

