

**ORIGINAL**

Decision No. 69019

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )

LACEY TRUCKING COMPANY, )

a Corporation, for authority to execute a Security Agreement and Promissory Note. )

Application No. 47442  
Filed March 29, 1965

In the Matter of the Application of )

CHESLEY TRANSPORTATION CO., INC. )

a Corporation, for authority to execute a Security Agreement and Promissory Note and to purchase all of the issued and outstanding stock of LACEY TRUCKING COMPANY.. )

Application No. 47444  
Filed March 29, 1965

O P I N I O N

In these applications Lacey Trucking Co. and Chesley Transportation Co., Inc. seek authority to execute Security Agreements and to issue instalment notes in the face amounts of \$109,417.60 and \$83,499.04, respectively, and the latter seeks authority to purchase all of the outstanding stock of the former.

Chesley Transportation Co., Inc. is a California corporation operating as a highway common carrier authorized to transport property necessary or incidental to the

establishment, maintenance or dismantling of oil, gas or water wells, pipelines, refineries and cracking or casing head plants, material and equipment (a) used in the construction of roads, dams and bridges and (b) used in the construction of, and destined for, power and compressor plants. It operates also as a radial highway common carrier, a highway contract carrier and a city carrier. For the year 1964, the corporation reports operating revenues of \$530,969 and a net loss of \$12,474. The company's assets and liabilities at December 31, 1964, as summarized from its 1964 annual report to this Commission, are as follows:

Assets

Current assets	\$113,906
Tangible property less accumulated depreciation	161,384
Intangible property	5,000
Investments and advances	92,080
Deferred debits	<u>152</u>
Total	<u>\$372,522</u>

Liabilities

Current liabilities	\$ 74,080
Capital stock	32,225
Earned surplus	<u>266,217</u>
Total	<u>\$372,522</u>

Lacey Trucking Co. is a California corporation operating as a highway common carrier authorized to transport property necessary or incidental to the establishment, maintenance or dismantling of oil, gas or water wells, pipelines,

refineries and cracking or casing head plants, material and equipment used in construction, and equipment used in farming. It operates also as a radial highway common carrier, a highway contract carrier, a city carrier, a highway common carrier of petroleum products in bulk and a petroleum irregular route carrier. For the year 1964, it reports operating revenues of \$357,477 and a net loss of \$75,821.

A pro forma balance sheet as of January 1, 1965, for Lacey Trucking Co., after giving effect to the elimination of certain assets and liabilities which it would not retain after Chesley Transportation Co., Inc. acquires the outstanding stock, is summarized from Exhibit No. 2 of Exhibit D, attached to Application No. 47444, as follows:

<u>Assets</u>	
Current assets	\$ 59,621
Tangible property less accumulated depreciation	146,133
Intangible property	<u>1,375</u>
Total	<u>\$207,129</u>
<u>Liabilities</u>	
Current liabilities	\$118,989
Long-term debt	68,586
Capital	<u>19,554</u>
Total	<u>\$207,129</u>

Chesley Transportation Co., Inc. proposes to purchase all of the issued and outstanding capital stock of Lacey Trucking Co., which stock consists of 3,000 shares of no par value common stock. The purchase price for all of said stock is \$6,725.82, subject to adjustment in final escrow to give effect to any relevant items which were unknown as of January 1, 1965. It appears that said 3,000 shares are held at the present time by the following individuals:

<u>Shareholder</u>	<u>No. of Shares</u>
Florence B. Lacey	1,500
Mary Lee Russell	500
John Anthony Lacey	500
Johanne Lacey Kendall	<u>500</u>
Total	<u><u>3,000</u></u>

In view of existing family conditions and the ill health of Florence B. Lacey, Application No. 47444 indicates that it is deemed to the best interests of all of the stockholders that said stock be sold as a unit.

It appears that the financial structure of Chesley Transportation Co., Inc. is basically strong, whereas that of Lacey Trucking Co. is extremely weak, that the scope of operations of the two corporations is very similar, and that the common management of the two corporations, which would result from the acquisition of the latter's stock by the former, should promote economy and efficiency.

Included among the January 1, 1965 current liabilities and long-term debt of Lacey Trucking Co., are outstanding balances amounting to \$52,200 and \$53,757.60, respectively, or a total of \$105,957.60 remaining on an unauthorized note issued during 1963 in the face amount of \$208,800, of which \$28,800 represented prepaid interest computed at the rate of 4% per annum for four years on \$180,000. The \$180,000 of net proceeds were applied toward consolidating indebtedness, purchasing and repairing equipment and providing working capital. For the purposes of refinancing said unauthorized indebtedness and reducing substantially the size of the monthly payments of \$4,350, Lacey Trucking Co. proposes to execute a Security Agreement and to issue an instalment note in favor of Bank of America National Trust and Savings Association in the face amount of \$109,417.60 repayable in 35 monthly instalments of \$1,993.23 each and a final payment of \$39,654.55. Included in the \$109,417.60 is interest amounting to \$15,267.60 computed at an effective interest rate approximating 7-1/2% per annum, leaving net proceeds of \$94,150.

In order to obtain funds for paying off short-term equipment obligations, augmenting its working capital and purchasing the outstanding stock of Lacey Trucking Co., Chesley Transportation Co., Inc. proposes to execute a Security Agreement and to issue an instalment note in favor of Bank of America National Trust and Savings Association in the face amount of \$88,499.04, repayable in 35 monthly instalments of \$1,611.64

each and a final payment of \$32,091.64. Included in the \$88,499.04 is interest amounting to \$12,299.04 computed at an effective interest rate of approximately 7-1/2% per annum, leaving net proceeds of \$76,200.

The Commission has considered the above-entitled matters and finds that: (1) the purchasing, acquiring, taking and holding of 3,000 shares of common capital stock of Lacey Trucking Co. by Chesley Transportation Co., Inc. would not be adverse to the public interest; (2) the proposed note issues are for proper purposes; (3) the money, property or labor to be procured or paid for by the issue of the notes herein authorized is reasonably required for the purposes specified herein; and (4) such purposes, except as otherwise authorized for payment of interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income. On the basis of these findings we conclude that the applications should be granted. A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. Chesley Transportation Co., Inc. may purchase, acquire, take and hold all of the issued and outstanding 3,000 shares of common capital stock of Lacey Trucking Co.

2. Lacey Trucking Co. and Chesley Transportation Co., Inc., on or after the effective date hereof and on or before August 31, 1965, for the purposes specified in these proceedings, may issue instalment notes in the face amounts of not to exceed \$109,417.60 and \$88,499.04, respectively, and may execute Security Agreements, which documents shall be in the same form, or in substantially the same form, as those attached to the applications.

3. Lacey Trucking Co. and Chesley Transportation Co., Inc. shall each file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

4. This order, insofar as it relates to Application No. 47442, shall become effective when Lacey Trucking Co. has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$110.

5. This order, insofar as it relates to Application No. 47444, shall become effective when Chesley Transportation Co., Inc. has paid the fee prescribed by Section 1904 (b) of the Public Utilities Code, which fee is \$89.

Dated at San Francisco, California, this 11th day of May, 1965.

[Signature] President  
George E. Hoover  
[Signature]  
[Signature] Commissioners

Commissioner Frederick B. Holoboff, being necessarily absent, did not participate in the disposition of this proceeding.

