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Decision No. 81169

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
HOLIDAY RESOURCES, INC.
(formerly HOLIDAY AIRLINES, INC.)
for authority to transfer its entire
airline operations, including all
assets and liabilities relating
thereto, and its certificate of
public convenience and necessity,
to its wholly owned subsidiary
corporation, HOLIDAY AIRLINES
CORPORATION, a California
corporation.

Application No. 53565
(Filed September 1, 1972)

O P I N I O N

By this application Holiday Resources, Inc., formerly Holiday Airlines, Inc. (applicant), seeks authority to transfer its certificate of public convenience and necessity to its wholly owned subsidiary corporation, Holiday Airlines Corporation.

The application relates that on May 12, 1972 applicant's shareholders approved the change of its name from "Holiday Airlines, Inc." to "Holiday Resources, Inc." Subsequently applicant's board of directors determined that the corporation's airline operations should be separated from the unrelated business activities of applicant. Therefore, applicant filed this request for authority to transfer the certificate and all assets and liabilities of the airline operation to its wholly owned subsidiary, Holiday Airlines Corporation (Airlines). Upon approval and consummation of the transaction, all passenger air carrier operations will be conducted solely by Airlines.

The application further relates that all personnel presently employed by applicant to carry on air carrier operations will become employees of Airlines. Likewise all officers presently managing air carrier operations will become the officers of Airlines, and they will carry on the same functions as they were doing formerly. Finally, there will be no change with respect to creditors of the air carrier operation since all assets and liabilities of such operation will belong to Airlines, the wholly owned subsidiary of applicant.

Notice of the application was published in the Commission's daily calendar. No protests have been received.

The Commission's financial staff conducted its own investigation of the proposal and issued a report on December 15, 1972. The staff concludes that the application should be granted subject to certain conditions. No objections or comments about the report have been received from applicant.

The staff report explains that the creation of a new corporation to assume applicant's air carrier operations will result in the recapitalization of the airline, and leave a cumulative operating deficit of \$4,200,208 as of September 30, 1972 with Airlines' parent. A capital surplus will be created for Airlines equal to the excess of the net worth transferred over the par value of Airlines' issued capital stock. This will create a capital surplus account in Airlines' books. At the same time the transfer will establish an investment by applicant in the issued stock of Airlines equal to the net worth of the air carrier business as of the date of transfer.

The report states that Airlines is authorized to issue only one class of shares of common stock, not to exceed 25,000 shares at a par value of \$1 per share. No shares have been issued.

As of September 30, 1972 the balance sheet date used by the staff for its examination, since it is the terminal date for applicant's fiscal year, shows the recorded net worth to be transferred as \$1,054,768. Applicant's assets do not contain any items of goodwill or excess purchase price.

After the issuance of 25,000 shares of Airlines' stock in exchange for applicant's assets and assumption of its liabilities, the post-transfer capital structures of the applicant and its subsidiary would result as follows:

	<u>Applicant</u>	<u>Airlines</u>
Common Equity	\$1,054,768	\$1,054,768
Long Term Debt		27,201
Total Capital Structure	\$1,054,768	\$1,081,969

The staff concludes that the transfer will not harm the rights of creditors, and will not adversely affect the public interest. Nor will the transfer create any intangible or goodwill accounts in either applicant's or Airlines' books.

The staff recommends approval, provided that the following conditions are included in the Commission's order:

- (1) That Airlines' capital stock shall be issued to and held by only Holiday Resources and that any transfer to others be subject to authorization of the Commission.
- (2) That Holiday Resources record as the cost of the shares of Airlines' stock its book-recorded net worth of passenger air carrier assets and liabilities as of the transfer date of said accounts.
- (3) That Holiday Resources cause Airlines to record the excess of the net worth of its passenger air carrier accounts over the par value of Airlines' issued stock in an appropriate paid-in capital account.

No objection to any of these conditions has been made by applicant. After consideration, the Commission finds that the staff recommendations are reasonable and that the proposed transfer as modified by the conditions hereinabove set forth will not be adverse to the public interest. On the basis of these findings, the Commission concludes that the application should be granted subject to the conditions set forth in our order below. A public hearing is not necessary.

O R D E R

IT IS ORDERED that Holiday Resources, Inc., formerly Holiday Airlines, Inc., is authorized on or before May 4, 1973 to transfer its passenger air carrier operations, including its certificate of public convenience and necessity and all the assets and liabilities relating thereto, to its wholly owned subsidiary corporation, Holiday Airlines Corporation, a California corporation, in exchange for capital stock of Holiday Airlines Corporation provided that:

- a. Holiday Airlines Corporation's capital stock be issued to and held by its parent, Holiday Resources, Inc., only.
- b. Any transfer of the capital stock of Holiday Airlines' to all other persons or entities shall not be made until after such transfer is authorized by the Commission.
- c. Holiday Resources, Inc. will record as the cost of the shares of Holiday Airlines Corporation's stock its book-recorded net worth of passenger air carrier assets and liabilities as of the transfer date of said accounts.
- d. Holiday Resources, Inc. shall cause Holiday Airlines Corporation to record the excess net worth in its passenger air carrier accounts over the par value of Holiday Airlines' stock issued to Holiday Resources, Inc. in an appropriate paid-in capital account.

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- e. All transactions between Holiday Airlines Corporation, on the one hand, and Holiday Resources, Inc., on the other hand, shall be accounted for by both parties to the transaction, separately and clearly, by use of clearing accounts.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 20th day of MARCH, 1973.

Vernon L. Sturgis
President
William J. ...
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...
Commissioners

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.