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SERVICE DATE – JULY 21, 2016

SURFACE TRANSPORTATION BOARD

DECISION

Docket No. MCF 21068

SILVERADO STAGES, INC.—ACQUISITION OF CONTROL—MICHELANGELO
LEASING, INC. AND RYAN’S EXPRESS TRANSPORTATION SERVICES, INC.

AGENCY: Surface Transportation Board.

ACTION: Notice Tentatively Approving and Authorizing Finance Transaction.

SUMMARY: On June 21, 2016, Silverado Stages, Inc. (Silverado) filed an application under 49 U.S.C. § 14303 seeking approval for its acquisition and control of the stock of Michelangelo Leasing, Inc. (Michelangelo) and Ryan’s Express Transportation Services, Inc. (Ryan), a corporation wholly owned and controlled by Michelangelo. In its application, Silverado also requests retroactive approval of its acquisition of control of five subsidiaries and retroactive approval of Michelangelo’s acquisition of control of Ryan. The Board is tentatively approving and authorizing the transaction before it, but is not granting retroactive approval of Silverado or Michelangelo’s previous acquisitions. If no opposing comments are timely filed, this notice will be the final Board action. Persons wishing to oppose the application must follow the rules at 49 C.F.R. §§ 1182.5 and 1182.8.

DATES: Comments must be filed by September 6, 2016. Silverado may file a reply by September 19, 2016. If no opposing comments are filed by September 6, 2016, this notice shall be effective on September 7, 2016.

ADDRESSES: Send an original and 10 copies of any comments referring to Docket No. MCF 21068 to: Surface Transportation Board, 395 E Street, S.W., Washington, DC 20423-0001. In addition, send one copy of comments to Applicant’s representative: David H. Coburn, Steptoe & Johnson, LLP, 1330 Connecticut Ave., N.W., Washington, DC 20036.

FOR FURTHER INFORMATION CONTACT: Jonathon Binet (202) 245-0368. Federal Information Relay Service (FIRS) for the hearing impaired: 1-800-877-8339.

SUPPLEMENTARY INFORMATION: Silverado, a Wyoming corporation, is a federally regulated interstate motor carrier of passengers (MC-230881) providing charter and tour bus transportation services to the public throughout California from its terminals in San Luis Obispo, Sacramento, Santa Ana, Pomona, and Santa Barbara. Silverado states that it also provides intrastate airport and shuttle services, and charter and tour services in the Las Vegas, Nev., Los Angeles, Cal., and Cheyenne, Wyo. areas either directly or through its subsidiaries. According to Silverado, it owns five motor carrier subsidiaries, three of which conduct

operations: Silverado Stages NV LLC (MC-936678) (providing interstate and intrastate charter and tour services in the Las Vegas area and a fixed route between Las Vegas and Reno), Silverado Stages SC LLC (MC-937520) (providing interstate charter and tour services in California and intracity shuttle service in the Los Angeles area), Silverado Stages WY LLC (MC-937467) (providing charter and tour bus services in the Cheyenne area), Silverado Stages NC LLC (Silverado NC) (MC-937511), and Silverado Stages CC LLC (Silverado CC) (MC-938086).¹ Silverado states that the subsidiaries were established in March and April 2015 and procured federal operating authority in November 2015.² Silverado also states that it is owned and controlled by individual stockholders.

Silverado further states that Michelangelo, a privately held Arizona corporation, is a federally regulated motor carrier of passengers (MC-419004) that provides charter, tour, and local shuttle transportation. Silverado states that Eugene Bronson, the president and CEO of Michelangelo and Ryan, owns 100% of Michelangelo's stock. According to Silverado, Michelangelo provides its services in the Phoenix, Ariz., Las Vegas, Nev., and Los Angeles, Cal., markets utilizing 145 motor coaches, 11 mini-buses, 3 vans, and 4 limousines. Michelangelo also owns and controls Ryan, a federally regulated motor carrier of passengers (MC-348310).³ Silverado states that Ryan also operates charter services in the Phoenix, Las Vegas, and Los Angeles markets utilizing 52 motor coaches and 4 minibuses. Silverado states that Michelangelo is also the owner and managing member of White Tie International LLC, a non-regulated motor carrier that provides intrastate sedan and limousine charters and tours in the Sedona, Ariz. area.

¹ Silverado states that Silverado NC and Silverado CC are non-operating entities. Both are incorporated in California and headquartered in San Luis Obispo.

² Silverado states that at the time it obtained control of the subsidiaries it was not aware of the requirements under 49 U.S.C. § 14303 to obtain Board approval of its acquisition of control of more than one motor carrier of passengers. Silverado now seeks retroactive approval of the acquisition of its five subsidiaries. The Board generally does not make retroactive grants of authority. See Rose Chaffeured Transp., Ltd.—Acquis. of Control—MY Bus division of Cherry Consulting of the Carolinas, Inc., MCF 21066 (STB served May 11, 2016); V & S Ry.—Acquis. & Operation Exemption—Colo. Dept. of Transp., FD 35664 (STB served Nov. 13, 2012); Coach USA, Inc., and Yellow Cab Service Corp.—Control—Ross Tours, Inc., MCF 20945, et al. (STB served May 14, 1999). The Board will tentatively approve and authorize Silverado's acquisitions of its five subsidiaries as part of the overall transaction at issue here, but only as of the date of service of this decision, not retroactively.

³ Silverado states that Michelangelo acquired control of Ryan in 2015 and that, at the time, Michelangelo was not aware of the requirements under 49 U.S.C. § 14303 to obtain Board approval of its acquisition of control of another motor carrier of passengers. Michelangelo now seeks retroactive approval of its acquisition of control of Ryan. The Board generally does not grant retroactive authority. See supra n.2. The Board will tentatively approve and authorize Michelangelo's acquisition of control of Ryan as part of the overall transaction at issue here, but only as of the date of service of this decision, not retroactively.

Silverado seeks Board authority for its acquisition and control of Michelangelo and Ryan through a stock purchase agreement. Specifically, Silverado states that it would acquire full control of Michelangelo's operations, equipment, and operating authority, as well as the operations, equipment, and operating authority of Ryan, and that these operations would be merged under the Silverado brand and management. Silverado states that Bronson would receive cash and a 14.45% ownership of stock.⁴ Silverado explains that it plans to restructure approximately \$38 million in current debt of Silverado and Michelangelo.

Under 49 U.S.C. § 14303(b), the Board must approve and authorize a transaction that it finds consistent with the public interest, taking into consideration at least: (1) the effect of the proposed transaction on the adequacy of transportation to the public; (2) the total fixed charges that result; and (3) the interest of affected carrier employees. Silverado submitted information, as required by 49 C.F.R. § 1182.2, including information to demonstrate that the proposed transaction is consistent with the public interest under 49 U.S.C. § 14303(b), and a statement that the aggregate gross operating revenues of Silverado and Michelangelo exceeded \$2 million for the preceding 12-month period, see 49 U.S.C. § 14303(g).⁵

Silverado addresses the adequacy of transportation to the public by stating that the proposed transaction would not result in significant changes to the nature or scope of services that are currently conducted by Silverado, Michelangelo, or Ryan. Silverado states that the transaction would allow for the continuation of operations while eliminating duplicate administrative and managerial functions. Silverado anticipates improved public service through the debt restructure that will allow Silverado to access lower interest costs so that it can more readily replace aging vehicles and purchase newer vehicles on more favorable terms. With respect to fixed charges, Silverado asserts the debt restructure will reduce fixed charges by improving its financial position and reducing future interest costs associated with vehicle and other financing. Regarding the effect of the transaction on employees, Silverado states that the proposed transaction will consolidate some headquarter and administrative functions, but expects that its improved financial returns will strengthen its ability to retain employees and expand future employment opportunities.

Silverado further claims that competition will not be materially adversely impacted by the proposed transaction. Citing agency precedent finding low entry barriers in the interstate bus industry, Silverado states that the areas of Los Angeles and Las Vegas, where its services overlap with Michelangelo and Ryan, have robust carrier competition. Specifically, Silverado asserts that competing bus carriers in the Los Angeles area that operate charter and/or tour services include Tourcoach, Gold Coast Tours, Pacific Coachways, and Transportation Charter Services, among other carriers. Similarly, Silverado states that Las Vegas also has a large number of carriers providing charter and/or tour services. Specifically, according to Silverado, competing

⁴ Silverado's application included a chart with stockholders' names, shares, and percentage of ownership before and after the proposed transaction.

⁵ Applicants with gross operating revenues exceeding \$2 million are required to meet the requirements of 49 C.F.R. § 1182.

bus carriers in the Las Vegas area include Arrow Stage Lines, Lewis Brothers, Grand Canyon Coaches, Alan Waxler Group Charter services, and other operators. The operations of Michelangelo and Ryan also overlap in these markets as well as in Phoenix.

The Board finds that the acquisition described in the application (including Silverado's acquisition of the five subsidiaries, Michelangelo's acquisition of Ryan, and Silverado's acquisition of Michelangelo and Ryan), is consistent with the public interest and should be tentatively approved and authorized. If any opposing comments are timely filed, these findings will be deemed vacated, and, unless a final decision can be made on the record as developed, a procedural schedule will be adopted to reconsider the application. See 49 C.F.R. § 1182.6(c). If no opposing comments are filed by the expiration of the comment period, this notice will take effect automatically and will be the final Board action.

This action is categorically excluded from environmental review under 49 C.F.R. § 1105.6(c).

Board decisions and notices are available on our website at "WWW.STB.DOT.GOV".

It is ordered:

1. The proposed transaction is approved and authorized as described above, subject to the filing of opposing comments.
2. If opposing comments are timely filed, the findings made in this notice will be deemed vacated.
3. This notice will be effective September 7, 2016, unless opposing comments are filed by September 6, 2016.
4. A copy of this notice will be served on: (1) the U.S. Department of Transportation, Federal Motor Carrier Safety Administration, 1200 New Jersey Avenue, S.E., Washington, DC 20590; (2) the U.S. Department of Justice, Antitrust Division, 10th Street & Pennsylvania Avenue, N.W., Washington, DC 20530; and (3) the U.S. Department of Transportation, Office of the General Counsel, 1200 New Jersey Avenue, S.E., Washington, DC 20590.

Decided: July 18, 2016.

By the Board, Chairman Elliott, Vice Chairman Miller, and Commissioner Begeman.