

LONE STAR COACHES

May 31st, 2017

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Docket No. MCF 21076 & MCF 21076 TA

ENTERED
Office of Proceedings
June 2, 2017
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Public Record

To Whom It May Concern –

Pursuant to rules governing the administration of the Surface Transportation Board, I am writing this letter today in order to provide you with two separate signature pages related to two filings submitted by Lone Star Coaches, Inc. on a Request for Interim Approval and for Control and Acquisition of a Carrier on May 11th, 2017.

Mr. Scott Zimmerman, an attorney for the Surface Transportation Board, advised Barry Lewis, Consultant for Lone Star Coaches, Inc. that two signature pages related to our filings as well as a letter on company letterhead would be needed in order to complete the review of our filings.

If you could, please let this letter serve as needed along with the attached two signature pages for your needs and records.

With Warm Regards,



Mr. Mark Steelman, President
Lone Star Coaches, Inc.

“MASTERS OF GREAT AMERICAN TRAVEL”
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STB DOCKET NO. MC-F- 21076 & MC-F- 21076 TA

LONE STAR COACHES, INC.
-- CONTROL--
TRI-CITY CHARTER OF BOSSIER, INC.

VERIFIED APPLICATION FOR ACQUISITION OF CONTROL OF PASSENGERS
OF MOTOR CARRIERS UNDER 49 USC 14303

Pursuant to 49 U.S.C. § 14303(a)(1) and the Board's rules under 49 C.F.R. Part 1182, Applicant Lone Star Coaches, Inc. hereby request the Board's approval of the Applicant' plan for Lone Star Coaches, Inc. ("Lone Star Coaches"), a USDOT-regulated passenger-carrier company, to acquire Tri-City Charter of Bossier, Inc. ("Tri-City Charter").

As explained more fully herein, Lone Star Coaches and Tri-City Charter are each federally registered, passenger motor carriers of which are in the process of consolidating parts of their operations while maintaining their USDOT operating authorities.

Lone Star Coaches is a Texas corporation and Tri-City Charter is a Louisiana corporation of which the management of Lone Star Coaches have agreed in writing the terms and conditions of the merging of shareholder rights and business operations.

In support of this Application, the Applicant state as follows:

A. Identification of the Parties: 49 C.F.R. § 1182.2(a)(1)

1. Applicant Lone Star Coaches, Inc. ("Lone Star Coaches") (USDOT 188598, MC-153014 is a Texas corporation with its principal place of business at 2425 Houston Street, Grand Prairie, Texas 75053. Lone Star Coaches is an S Corp organized and intends to acquire 100% ownership and control of one carrier applicant, Tri-City Charter.

Lone Star Coaches is an USDOT-regulated passenger-carrier company that will acquire ownership and control of Tri-City Charter.

Its primary business purpose is as an interstate charter and shuttle carrier. The company has been in operation since 1982, primarily providing charter, tour and local intercity and intracity transportation in the Dallas, Fort Worth Abilene, Tyler, Grand Prairie, Waco and Austin markets. It currently operates 26 commercial motor vehicles, specifically over-the-road motorcoaches.

The officers and directors of Lone Star Coaches are Mark Steelman who serves as President and Treasurer, Randal Steelman, Vice-President, and Jan Steelman, Secretary.

The verified statement of Mark Steelman, President of Lone Star Coaches, is included in Exhibit 1 hereto.

2. Tri-City Charter of Bossier, Inc. ("Tri-City Charter")(USDOT No. 840324, MC-370884) is a Louisiana corporation with its principal place of business at 1323 Canyon Court, Bossier City, Louisiana 71172. Tri-City Charter is an S Corp organized and intends to sell 100% ownership and control to the applicant, Lone Star Coaches.

Tri-City Charter has been in operation for 18 years providing charter service in Louisiana, Texas, and other parts of the Southeast United States with 17 motorcoaches. Tri-City currently has no parent, subsidiary or affiliate companies.

The verified statement of James E. Pitstick, President and CEO of Tri-City Charter, is included in Exhibit 2 hereto.

B. Description of Operating Authorities: 49 C.F.R. § 1182.2(a)(2)

1. Applicant Lone Star Coaches, Inc. has interstate, for-hire passenger carrier authority under MC-153014 and has intrastate operating authority issued by the

state of Texas. Copies of Lone Star's federal and state operating authority certificates are included in Exhibit 32 hereto.

2. Tri-City Charter of Bossier, Inc. has interstate, for-hire passenger carrier authority under MC-370884. Tri-City also has intrastate operating authority issued by Louisiana and Texas. Copies of Tri-City Charter's federal and state operating authority certificates are included in Exhibit 4 hereto.

C. Description of the Transaction: 49 C.F.R. § 1182.2(a)(3)

The transaction between Lone Star Coaches and Tri-City Charter is through a stock purchase of the applicant and to Tri-City Charter.

The applicant, Lone Star Coaches, will acquire 100 percent control of Tri-City Charter, including all of Tri-City Charter's equipment and operating authority. Tri-City Charter will continue to operate as a sub-division of Lone Star Coaches and maintain its interstate and intrastate operating authorities. The parties do not contemplate any significant change in Tri-City Charter's operations as a result of the transaction.

Following the transaction, both Lone Star Coaches and Tri-City Charter will continue to operate as separate entities, with their own brands, and will not significantly alter their transportation operations. The combination of the carriers being acquired by Lone Star Coaches is designed, however, to allow the carriers to streamline their operations by sharing certain management functions.

The combined companies will begin with approximately 43 vehicles and over \$5 million in tangible assets. The carriers plan to focus their efforts on the maximum utilization of equipment and resources to serve their respective customer bases, including favorable vehicle sharing arrangements that will allow the carriers to bid on more and

bigger charter transportation contracts. With maximum utilization of equipment, the carriers will be able to provide their current level of transportation with fewer vehicles, allowing them to retire older, less energy efficient vehicles. In addition, with more combined vehicles at their disposal, the Applicant will be able to bid on the charter service contracts for larger events requiring additional vehicle capacity.

Overall, the transaction will allow the Applicant to take advantage of economies of scale, better financial terms, and increased buying power. This will allow them to expand their combined operations, and eventually result in additions to driver and non-driver personnel.

The Applicant plans to close on its stock purchase agreement by August 2017. The transaction is in the public interest, and for the reasons stated herein should be approved.

D. Affiliated Carriers: 49 C.F.R. § 1182.2(a)(4)

Lone Star Coaches and Tri-City Charters are not affiliated in any way with any other motor carriers.

E. Jurisdictional Statement: 49 C.F.R. § 14303(g)

The Applicant have earned aggregate gross operating revenues far in excess of \$2 million during the twelve months preceding this Application, meeting the jurisdictional requirement set forth in 49 U.S.C. § 14303(g)

F. Effect on Environment and the Conservation of Energy Resources: 49 C.F.R. § 1182.2(a)(6)

The transaction will have an overall positive effect on the environment and the conservation of energy resources. The carriers do not anticipate substantially changing

their individual operations. By combining two independent carriers under one corporate umbrella, the companies will be able to streamline their operations to take maximum advantage of vehicles and manpower. This streamlining will enable the carriers to provide service across a broad geographic area with more efficiency than can be achieved with two carriers acting independently. Under the Lone Star Coaches umbrella, the two carriers can more easily coordinate the operations and the supply of vehicles, through lease or sales arrangements on preferable terms, to meet each carrier's needs. This will enable the carriers to provide as much or more transportation service with fewer vehicles.

The transaction also will enable the carriers to retire older vehicles and reduce the overall number of vehicles across the two carriers.

In sum, the efficiencies gained through combining the companies under one corporate structure will result in the same or more transportation options with less operational cost in order to maintain affordable transportation options and potentially more environmentally transportation services thus having a net positive effect on the conservation of resources.

G. Consistency with the Public Interest: 49 C.F.R. § 1182.2(a)(7)

The Board is required to consider whether the proposed transaction is consistent with the public interest, including whether (1) the effect of the transaction on the adequacy of transportation to the public, (2) the transaction's total fixed charges, and (3) the interest of carrier employees that may be affected by the transaction. 49 U.S.C. § 14303(b); 49 C.F.R. § 1182.2(a)(7).

In addition, the Board has traditionally considered the effect of the transaction on competition. See, e.g., STB Docket No. MC-F-21052, Southfield Coinvest Holdings,

LLC, Southfield Hall con Investment Corp and Hall con Crew Transportation, Inc. et al. – Acquisition of Control-Renzenberger, Inc., (served March 28, 2013), slip op. at 3; STB Docket No. MC-F- 21 055, Celerity Partners IV, LLC, Celerity AHI Holdings SPV, LLC, and All Aboard America! Holdings, Inc.-Control-Sureride Charter, Inc. d/b/a Sundiego Charter Company, (served Oct. 29, 2013), slip op. at 3. The transaction proposed by the parties herein plainly meets this standard.

1. Adequacy of Transportation to the Public

As noted above, the proposed transaction will not result in significant changes to the operations of the Applicant carriers.

The purpose of the transaction is to merge the operations of two distinct corporations operating as interstate motor carriers under the corporate umbrella of Lone Star Coaches.

The transaction will enable the carriers to engage in vehicle sharing arrangements, to better utilize sales and field operations personnel, and to bring certain management functions together for more efficient management of the overall enterprise.

The transaction will also allow the companies to take advantage of better financial terms, which will allow them to replace aging vehicles and purchase newer, more energy efficient vehicles on more favorable terms.

As such, the transaction will allow the carriers to maximize the use of personnel and equipment and to use the debt restructuring to increase investment into their companies.

The carriers will be able to serve their existing geographic areas and customer bases more efficiently and effectively, and do not anticipate any reduction in current

service levels. In fact, the transaction will enable to carriers to leverage the combination of companies to grow the businesses of each individual carrier, and will result in the same or a greater level of transportation to the public.

The Board has consistently found that transactions of this type meet the standard for adequacy of transportation to the public. See, e.g., STB Docket No. MC-F-20924, Global STB Passenger Services, L.L. C. -Control-Bortner Bus Company, et al., (served July 17, 1998), slip op. at 5; STB Docket No. MC-F-21015, Railcrew Xpress, LLC and Railcrew Xpress Corp. Acquisition of Control-Raudin McCormick, Inc., et al., (served Feb. 27, 2006), slip op at 2; STB Docket No. MC-F-21014, KBUS Holdings, LLC and CUSA, LLC-Acquisition of Control America Charters, Ltd., et al., (served Feb. 22, 2006), slip op. at 2; STB Docket No. MC-F- 21009, CUSA PCSTC, LLC d/b/a Pacific Coast Sightseeing Tours & Charters-Acquisition of Assets and Business Operations-Laidlaw Transit Services, Inc. d/b/a Roesch Lines, (served Jan. 13, 2005), slip op. at 2-3.

2. Fixed Charges

As stated above, the restructuring of day-to-day operations will allow the Applicant to lower operational costs and continue to provide affordable passenger-carrier transportation services.

3. Effect of the Transaction on Employees

The transaction will not have an overall negative impact on employees. The transaction will enable the parties to consolidate some headquarters and administrative personnel.

Labor force additions in higher paying sales and field operations personnel in multiple cities will offset any personnel contraction across Texas and Louisiana.

Further, while the current goal of the transaction is to maximize utilization with fewer vehicles, over time the companies will be able to grow by taking advantage of economies of scale, better financial terms, and increased buying power, resulting in additions to driver and non-driver personnel.

4. Impact on Competition

The transaction will not have a material adverse effect on competition. The companies do not plan on significantly altering their current operations, but merely wish to take advantage of efficiencies gained through working under one corporate structure.

Even with the strengthened position of the two USDOT-regulated carriers, competition in the areas served by the carriers will be maintained after the transaction.

The areas served by the carriers are subject to robust competition.

The Dallas/Fort Worth area alone has over fifteen interstate transportation providers offering charter and tour service. The parties estimate that interstate and intrastate carriers in the DFW market generate over \$150 million in annual revenues and operate approximately 670 vehicles (including sedans, mini buses, and motor coaches). After the transaction, the combined revenues of Lone Star Coaches and Tri-City Charter will be less than 5% of that amount, and will account for about 30 vehicles in the local market.

Further, the areas served by the carriers are largely separate and distinct, with a small amount of overlap in the larger markets. The companies also will maintain their separate identities and be responsible for their own operations within the larger corporate family. Thus, the transaction will not result in any consolidation of market power in any relevant market.

The benefits associated with the transaction will only support increased competition. By taking advantage of the efficiencies associated with merging two companies under one corporate structure, the carriers will be stronger operationally and financially.

This increased strength will enable the carriers to continue to compete with other carriers, as well as non-motor carriers that compete for the same travel and tourism business as charter bus companies. See, *GLI Acquisition Co. Purchase-Trailways Lines, Inc.*, 4 I.C.C. 2d 591, 598-602 (1988) (the relevant market for passenger transportation services includes multiple modes competing for the same passengers).

The competition for charter and tour business, the heart of the parties' operations, unquestionably is open to strong competition. The charter and tour business is constantly open to all competitors in the market, including the larger, multistate operators, as the business is contestable on a trip-by-trip basis.

Further, commercial charter and tour operators must offer quality services at competitive prices to provide services that the travelling public could easily choose to do without by travelling to their destinations in their own vehicles.

In addition to the points made above regarding the particular markets served by the Applicant, the Board has found consistently that the lack of barriers to entry into the interstate bus transportation industry virtually eliminated the opportunities for abuse of market power. See *STB Finance Docket No. 33431, Coach USA, Inc. and K-T Contract Services, Inc.-Control and Merger Exemption-Gray Line Tours of Southern Nevada*, slip op. at 2 (served Aug. 29, 2001) ("... the bus industry is characterized by pervasive competition and low entry barriers."); *STB Finance Docket No. 33007, Laidlaw Transit*,

Inc. et al.-Control and Merger Exemption National School Service, Inc. et al., (served Oct. 25, 1996) ("[W]ith the low entry barriers and pervasive intermodal and intramodal competition that otherwise characterized the charter and special operations segment of the bus industry, most opportunities for the abuse of market power are effectively foreclosed."); GLI Acquisition at 601 ("[T]he presence of intramodal competitors is not necessary to maintain competitive discipline for bus firms. Where the barriers to entry are virtually nonexistent, potential entry, together with intermodal competition, exerts pressure on existing firms to price reasonably.").

In sum, the transaction here will not have a materially adverse effect on competition.

Lone Star Coaches and Tri-City Charter currently do not have an overwhelming collective market share in the relevant markets. They will not significantly change their current operations, and will continue to operate as separate carriers in the markets they serve. Thus, their market shares will not change significantly. If anything, the transaction will result in an increase in capacity in the relevant markets, which will enable the Applicant's competitors to strengthen their own positions.

Charter and tour and contract shuttle services are particularly open to competition, both to intermodal and intramodal carriers, as well as to pressures on the market from passengers traveling in their own vehicles. That competitive landscape is unlikely to change regardless of this transaction. Finally, the Board has recognized the virtual impossibility of an abuse of market power in the bus industry. For these reasons, the Applicant submits that this transaction will not cause any diminution of competition in the relevant markets.

H. Safety Fitness Ratings: 49 C.F.R. § 1182.2(a)(8)

The Applicant are pleased to certify that each carrier involved in the transaction has a satisfactory safety fitness rating issued by the United States Department of Transportation.

I. Insurance Coverages: 49 C.F.R. § 1182.2(a)(9)

The Applicant hereby certify that they each have the requisite insurance coverage under 49 U.S.C. § 13906 for the transportation services they intend to provide.

J. Statement on Mexico Domiciliary: 49 C.F.R. § 1182.2(a)(10)

Pursuant to 49 C.F.R. § 1181.2(a)(10), the Applicant states that no party acquiring any operating rights through the proposed transaction is either domiciled in Mexico or owned or controlled by persons of Mexico.

K. Statement on Individuals Holding Operating Authority: 49 C.F.R. § 1182.2(a)(11)

Pursuant to 49 C.F.R. § 1182.2(a)(11), the Applicant state that the transaction does not involve the transfer of operating authority to an individual who will hold the authority in his or her name.

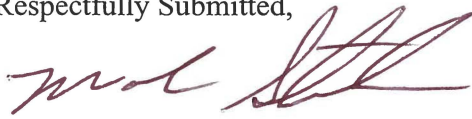
I. Certification Regarding Filing: 49 C.F.R. § 1182.3(b)

The Applicant hereby certify that they have delivered copies of the Application by first class mail to the appropriate regulatory body in each state in which intrastate operations are affected by the transaction.

CONCLUSION

For the reasons stated herein, the Applicant respectfully request that the Board grant this Application.

Respectfully Submitted,

A handwritten signature in red ink, appearing to read 'Mark Steelman', with a stylized flourish at the end.

Mark Steelman, President
Lone Star Coaches, Inc.

STB DOCKET NO. MC-F-

LONE STAR COACHES, INC.

-- CONTROL--

TRI-CITY CHARTER OF BOSSIER, INC.

REQUEST FOR INTERIM APPROVAL UNDER 49 USC 14303

Pursuant to 49 USC 14303 and under the board rules under 49 CFR 1182.7, Applicant Lone Star Coaches Inc. "Lone Star Coaches" hereby request the interim approval of the Applicant plan to purchase Tri-City Charter of Bossier, Inc. "Tri-City Charter".

As explained more fully herein and in the Verified Application for Approval, Lone Star Coaches, Inc. and Tri-City Charter of Bossier, Inc. are federally-registered passenger-carrier motor carriers providing charter and tour, contract services in the states of Texas and Louisiana markets.

The applicant has proposed with Tri-City Charter of Bossier, Inc. to complete a financial transaction that will result in the Applicant holding a controlling ownership in the two operating entities.

Lone Star Coaches and Tri-City Charter will continue to operate as separate companies with distinct operations that will take advantage of the infusion of capital allowing each company to modernize their fleet, centrally manage administrative and business functions, and potentially expand business services.

Without the financing transaction, the companies will not be able to modernize their fleet and will continue to operate less effectively and efficiently.

The savings realized from streamlined operations and the consolidation of debt is

intended to enhance purchasing power and potentially invest in environmentally friendly strategies resulting in the further strengthening of our financial position and improve the safety and efficiency of our fleet.

Timing of the proposed transaction is of vital importance. The timeline of the proposed transaction is to occur within 180 calendar days based on the approval by the Surface Transportation Board and requires interim approval as an indication of certainty pending ultimate disposition of the Application so that the transaction remains on schedule for completion.

The Board has consistently granted interim approval of such transactions similar to this one in which the Applicant would suffer inefficiencies or losses without interim approval of the transaction and where time is of the essence. See e.g. STB Docket MC-F-21058, STB Docket-MC-F-20902 and STB Docket-MC-F-20988.

Conclusion

For the reasons stated herein, the Applicant respectfully request the Board approves this Request for Interim Approval.

Respectfully Submitted,



Mark Steelman, President
Lone Star Coaches, Inc.