

BEFORE THE SURFACE TRANSPORTATION BOARD

AVALON MOTOR COACHES, LLC
AVALON TRANSPORTATION, LLC

-- ACQUISITION OF CONTROL --

308548

KERRVILLE BUS COMPANY, INC.
ALL WEST COACHLINES, INC.
AMERICAN COACH LINES OF ATLANTA, INC.
COACH LEASING, INC.
CAM LEASING, LLC
COACH USA, INC.
COACH USA ADMINISTRATION, INC.

ENTERED
Office of Proceedings
August 12, 2024
Part of
Public Record

Docket No. MCF 21120

August 12, 2024

EXPEDITED ACTION REQUESTED

**VERIFIED APPLICATION UNDER 49 U.S.C. § 14303(a) FOR APPROVAL OF THE
ACQUISITION OF CONTROL OF CERTAIN SUBSIDIARIES AND ASSETS OF
COACH USA, INC.**

Avalon Transportation, LLC (“Avalon Transportation”) and Avalon Motor Coaches LLC (“Avalon Motor Coaches,” and collectively, “Avalon” or the “Acquisition Companies”) respectfully submit this verified application under 49 U.S.C. § 14303 and the Surface Transportation Board’s (the “Board”) regulations at 49 C.F.R. § 1182 (this “Application”) for approval of the contemplated transaction more fully described herein (the “Transaction”).

The Transaction entails Avalon’s purchase of certain of the assets (including the good will, property, trade names, contracts, and vehicles) of certain interstate motor common carrier of passenger subsidiaries (collectively, the “Coach USA Subsidiaries”) currently controlled by Coach USA, Inc. (“Coach USA,” and collectively with the Coach USA Subsidiaries, the “Seller Entities”).

The Coach USA Subsidiaries are as follows: Kerrville Bus Company, Inc., All West Coachlines, Inc.,

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American Coach Lines of Atlanta, Inc., Coach Leasing, Inc., CAM Leasing, LLC, and Coach USA Administration, Inc. Avalon and Coach USA are collectively referred to herein as the “Applicants”.

1. Parties of the Contemplated Transaction (49 C.F.R. § 1182.2(a)(1)).

The parties’ names, addresses, and authorized signatories are as follows:

<u>Avalon Entities</u>	<u>Coach USA Entities</u>
<i>Avalon Motor Coaches, LLC</i> 1000 Corporate Point Culver City, California 90230	<i>Coach USA, Inc.</i> 160 S Route 17 North, Paramus, NJ 07652
<i>Avalon Transportation, LLC</i> 1000 Corporate Point Culver City, California 90230	<i>Kerrville Bus Company, Inc.</i> 1430 E. Houston Street San Antonio, Texas 78202
Signatory for Avalon entities: Jeffrey Brush	<i>All West Coachlines, Inc.</i> 7701 Wilbur Way Sacramento, CA 95828
	<i>American Coach Lines of Atlanta, Inc.</i> 705 Lively Ave. Norcross, GA 30071
	<i>Coach Leasing, Inc.</i> 4400 S Racine Ave. Chicago, IL 60609
	<i>CAM Leasing, LLC</i> 160 S. Route 17 North Paramus, NJ, 07652
	<i>Coach USA Administration, Inc.</i>

	160 S. Route 17 North Paramus, NJ, 07652
	Signatory for Coach USA entities: Ross Kinnear

2. Pertinent Operating Authorities (49 C.F.R. § 1182.2(a)(2)).

The following parties hold interstate authority to carry passengers, including the following authorizations with the U.S. Department of Transportation, the Federal Motor Carrier Safety Administration, and relevant state departments of transportation:

<u>Avalon Entities</u>	<u>Coach USA Entities</u>
<i>Avalon Motor Coaches, LLC</i> USDOT and TXDOT: 3271206 FMCSA: MC-1032746	<i>Coach USA, Inc.</i> USDOT: 523524 FMCSA: MC-263222
<i>Avalon Transportation, LLC</i> USDOT: 911905 FMCSA: MC-396011 California PSG Number: PSG0016585	<i>Kerrville Bus Company, Inc.</i> USDOT: 136534 FMCSA: MC-27530
	<i>All West Coachlines, Inc.</i> USDOT: 352751 FMCSA: MC-218583 California PSG Number: PSG0029150
	<i>American Coach Lines of Atlanta, Inc.</i> USDOT: 451315 FMCSA: MC-244195

The following entities do not hold any operating authorities:

- Coach Leasing, Inc.
- CAM Leasing, LLC
- Coach USA Administration, Inc.

3. **Description of Proposed Transaction (49 C.F.R. § 1182.2(a)(3)).**

The Transaction contemplates that assets and good will of the Coach USA Subsidiaries (other than those related to Coach USA’s Megabus operations) will be purchased by the Acquisition Companies. Specifically, (1) Avalon Transportation, LLC will be acquiring the operating assets utilized in the All West Coachlines, Inc. business segment, and (2) Avalon Motor Coaches, LLC will be acquiring the operating assets utilized in the Kerrville Bus Company, Inc. and American Coach Lines of Atlanta, Inc. business segments. Found Things, LLC, a California limited liability company, will be purchasing real estate from Kerrville Bus Company, Inc. and will not be operating any motor carrier passenger service.³

The Transaction is evidenced by an Asset Purchase Agreement (the “Agreement”) dated as of June 11, 2024 by and among Avalon Transportation, its designees, Coach USA, and the Coach USA Subsidiaries, and the following additional subsidiaries of Coach USA: Lenzner Tours, Inc., Lenzner Transportation Group, Inc., Lenzner Tours, LTD, Lenzner Transit, Inc., and Transportation Management Services, Inc. (collectively, the “Coach Lenzner Subsidiaries”).⁴ The Agreement provides that the Acquisition Companies are purchasing Coach USA Subsidiaries’

³ Under Section 7.4 of the Agreement, Avalon Transportation has the ability to designate its right to purchase assets to another entity. Avalon Transportation intends to designate Found Things, LLC to purchase only the real estate assets of Kerrville Bus Company, Inc. Found Things, LLC will not be operating the property of a motor carrier of passengers within the meaning of 49 CFR 1182.1, which describes the applications covered by Part 1182 – Purchase, Merger, and Control of Motor Passenger Carriers. As indicated, Avalon Motor Coaches is purchasing the operating assets and offering continued employment to the employees of Kerrville Bus Company, Inc., a motor carrier of passengers, and will lease the property from Found Things, LLC for its operations.

⁴ As a result of the successful bid submitted by Avalon at the August 6, 2024 auction, the Agreement will be modified to reflect an increased purchase price and an increase in Avalon’s commitment to extend comparable job offers from 80% to 95% of the Coach eligible employees working at the applicable locations.

assets described in the Agreement. A separate discussion concerning the proposed Transaction with respect to the Coach Lenzner Subsidiaries is set forth below in Section 4.

As noted above, on June 11, 2024, Coach USA, on behalf of itself, affiliates and subsidiaries, filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware. *In re Coach USA, Inc.*, Case No. 24-11258-MFW. On June 12, 2024, Coach USA filed a motion seeking to sell substantially all of its assets and effectively to liquidate. *See* Debtor's Motion for Entry of (A) An Order... (I) Approving Bidding Procedures (VI) Approving Form and Manner, and (B) Authorizing and Approving (I) Sale of the Debtors' Assets Free and Clear of Liens, Claims, and Encumbrances, Dkt. # 20.

As reported in the bankruptcy filings, Coach USA, including each of the Coach USA Subsidiaries, are insolvent. As reported in the filings, Coach USA has approximately \$197.8 million in outstanding funded debt obligations, and over the past several years has incurred significant operating losses largely as a result of the COVID-19 pandemic and its effects on travel. *See*, Declaration in Support of Chapter 11 Petitions and First Day Motions (Dkt. # 15). Accordingly, management of the Sellers Entities has determined that the entities can no longer continue to operate as going concerns and that the sale of the Coach USA Subsidiaries' assets is in the best interest of the Seller Entities, their creditors, employees, customers and other stakeholders.

The Transaction is subject to a Bankruptcy Court approved sales process. On July 9, 2024, the Bankruptcy Court entered an Order (I) Approving Bidding Procedures in Connection with the Sale of Substantially All of the Debtors' Assets, (II) Designating Stalking Horse Bidders and Stalking Horse Bidder Protections, (III) Scheduling Auction for and a Hearing to Approve the Sale of Assets, (IV) Approving Notice of Respective Date, Time and Place for Auction and for a

Hearing on Approval of the Sale, (V) Approving Procedures for the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, (VI) Approving Form and Manner of Notice Thereof, and (VII) Granting Related Relief (the “Bid Procedures Order”). (Dkt. # 241).

Pursuant to the Bid Procedures Order, Applicant has been approved as the “Stalking Horse Bidder” for the assets it has offered to acquire under the Agreement. The Bankruptcy Court has approved the specific sales procedures, including setting certain deadlines to bid on the assets subject to this Application. Specifically, the Bankruptcy Court set August 1, 2024 at 4:00 p.m. (EST) as the deadline for parties to file objections to the proposed asset sale to Avalon and scheduled a sales hearing to approve the Transaction on August 13, 2024. On August 6, 2024, Coach USA, the Coach USA Subsidiaries, and the Coach Lenzner Subsidiaries (collectively, the “Coach Debtors”) conducted an auction of the Coach USA assets to be purchased in order to determine the highest and best bidder. On August 7, 2024, the Coach Debtors filed with the Bankruptcy Court a Notice of Successful Bidders declaring Avalon to be the Successful Bidder for the assets (Dkt. # 503).

If approved by the Bankruptcy Court, the Transaction is permitted to close, and subject to Board approval, operating and other assets of the Coach USA Subsidiaries will be acquired by the Acquisition Companies.⁵ The Acquisition Companies will then oversee the provision of transportation services to the Coach USA Subsidiaries’ charter, contract, and other customers in the respective business segments being acquired. The transition in ownership and operation of the motor carrier businesses in the respective business segments being acquired would be seamless and essentially invisible to members of the traveling public as well as the newly hired Coach USA employees who will suffer no gap in their employment status.

⁵ Depending on the outcome of the Bankruptcy Court process, the Applicants may need to amend this application to reflect the results of the auction or the Court’s decisions.

4. Proposed Transaction with Respect to the Coach Lenzner Subsidiaries

The Coach Lenzner Subsidiaries are all Pennsylvania entities and headquartered at 110 Lenzner Ct., Sewickly, PA 15143. These entities provide tour transportation to a variety of locations throughout the Northeast and Midwest, as well as custom tours for private groups and offer commercial and private charters for various sports teams

As noted above, under Section 7.4 of the Agreement, Avalon Transportation has the ability to designate its right to purchase assets to another entity. At the closing, Avalon Transportation intends to designate the operating assets being acquired from the Coach Lenzner Subsidiaries to be sold to a subsidiary (Lenzner Coach Lines, LLC). Pursuant to the terms of the Agreement, effective as of the closing Lenzner Coach Lines, LLC will also (a) extend employment offers to not less than 95% of Coach Lenzner Subsidiaries' employees, provided that such employees meet certain minimum hiring eligibility standards described in the Agreement, (b) recognize the union as the exclusive bargaining representative of the bargaining unit comprising Lenzner Subsidiaries' employees covered by the applicable Collective Bargaining Agreement, and (c) accept the terms of the current Collective Bargaining Agreement (subject to changes needed to adjust for Lenzner Coach Lines, LLC's specific benefit plans and policies). Simultaneously with the closing with Coach USA and the Coach Subsidiaries, Avalon Transportation will be assigning its membership interest in Lenzner Coach Lines, LLC to an entity that is not an interstate carrier subject to the jurisdiction of the Board under 49 U.S.C. §13501 since its owner operates a small intrastate shuttle service in New York (the "Lenzner Designee").⁶ Board approval of an acquisition under 49 U.S.C. §14303(a) is required for changes of control and related transactions involving motor carriers

⁶ Under the terms of the Agreement and the assignment agreement between Avalon Transportation and the Lenzner Designee, both closings are "deemed to have occurred at 12:01 a.m. (Eastern standard time) on the Closing Date," such that Avalon Transportation will not be the owner of Lenzner Coach Lines, LLC when it acquires the Lenzner Subsidiaries' assets and employs its employees.

subject to the Board's jurisdiction under subchapter 1 of chapter 135 (which is §§ 13501-13508). Accordingly, the acquisitions by Lenzner Coach Lines, LLC and the Lenzner Designee do not appear to require STB approval since they are not subject to Board jurisdiction under §13501.

5. Motor Passenger Carrier Affiliates and Corporate Structure (49 C.F.R. § 1182.2(a)(4)).

Avalon

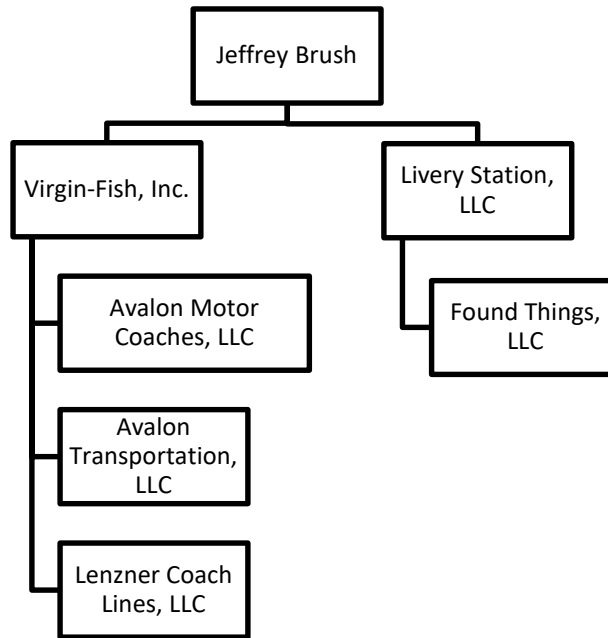
Avalon Motor Coaches and Avalon Transportation are each a single-member limited liability company whose sole member is Virgin-Fish, Inc., a California S-corporation.⁷ Avalon Motor Coaches is a Texas limited liability company, and Avalon Transportation is a California limited liability company. Virgin-Fish, Inc. is owned by a single shareholder, Jeffrey Brush. Found Things, LLC⁸ is a California limited liability company whose sole manager is Livery Station, LLC, a New York limited liability company. Jeffrey Brush is the sole manager of Livery Station, LLC.

Avalon Transportation focuses on chauffeured services in its various cities and also on the California Motor Coach division, while Avalon Motor Coaches focuses on the Texas Motor Coach division. Avalon Motor Coaches and Avalon Transportation currently operate offices in multiple regions for chauffeured services and motor coach services. Their chauffeured service offices are in Los Angeles, New York, San Francisco, New Jersey, and Philadelphia. Their motor coach offices are currently in San Jose, San Francisco, Phoenix, Orange County, Los Angeles, Beaumont, Houston, San Antonio, and Dallas.

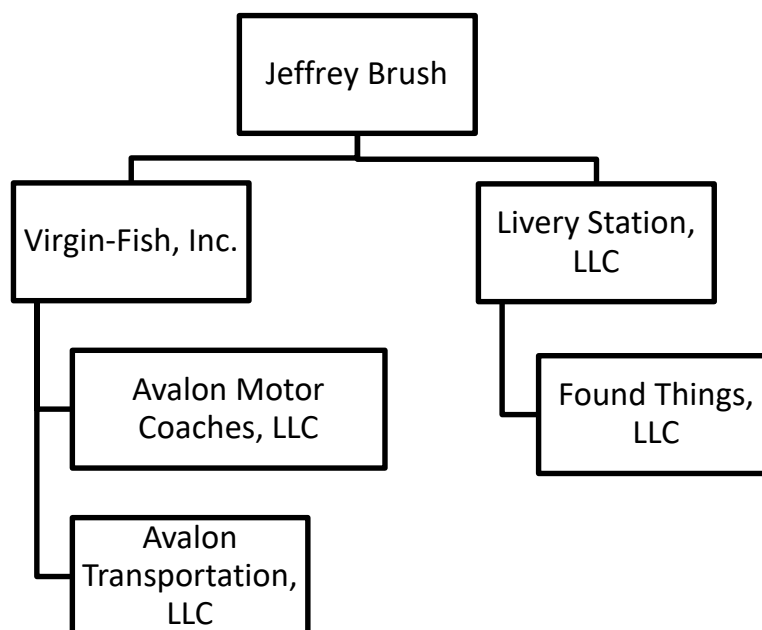
⁷ As discussed above, Lenzner Coach Lines, LLC is currently under the control of Avalon, and it is a Delaware limited liability company. It is a single-member LLC whose sole member is Virgin-Fish, Inc., but it will be acquired by the Lenzner Designee simultaneously with the closing of the Transaction.

⁸ As discussed above, Found Things, LLC is a non-carrier company formed to purchase real estate assets from the Kerrville business segment of Coach USA.

In addition to its major offices, Avalon Transportation provides service to its clients in over 700 domestic and international locations through its affiliate program. Avalon maintains a current fleet of about 275 vehicles in its cities and is able to provide a vast array of services through its national affiliates. A chart depicting Avalon's current corporate structure is below.



As of the closing, Avalon's corporate structure will be as follows:



Coach USA

Coach USA is a non-carrier Delaware corporation headquartered in Paramus, New Jersey. The motor passenger carriers controlled by it provide services in many parts of the United States. The remaining Seller Entities are:

- Kerrville Bus Company, Inc. is a corporation organized under the laws of Texas, which is headquartered at 1430 E. Houston Street, San Antonio, Texas 78202.
- All West Coachlines, Inc. is a corporation organized under the laws of Texas, which is headquartered at 7701 Wilbur Way, Sacramento, CA 95828.
- American Coach Lines of Atlanta, Inc. is a corporation organized under the laws of Texas, which is headquartered at 705 Lively Ave. Norcross, GA 30071.
- Coach Leasing, Inc. is a corporation organized under the laws of Illinois which is headquartered at 4400 S Racine Ave Chicago, IL 60609.

- CAM Leasing, LLC is a limited liability corporation organized under the laws of Delaware, which is headquartered at 160 S. Route 17 North, Paramus, NJ, 07652.
- Coach USA Administration, Inc. is a corporation organized under the laws of Nevada, which is headquartered at 160 S. Route 17 North, Paramus, NJ, 07652.

In its first day pleadings, Coach USA describes the business segments being acquired by Applicant as follows:⁹

Business Segment	Location	Description
ACL Atlanta	Norcross, GA	• Provides charter buses in Atlanta and the surrounding Southeast
All West	Sacramento, CA	• Provides charter bus services in Sacramento, CA to/from other points on Northern and Southern California • Certain charter tours including to Nevada • Thruway bus services under contract
Kerrville	San Antonio, TX	• Offers deluxe motorcoach charters and shuttles, customized group tour packages, casino trips, and convention coordinating and planning

Also included in the Ware Declaration is Coach USA's corporate organization chart reflecting the relationships between Coach USA, the Coach Subsidiaries and the other Coach entities, a copy of which is attached hereto as Exhibit 1.

6. Jurisdictional Statement (49 C.F.R. § 1182.2(a)(5)).

The Applicants have earned aggregate gross operating revenues in excess of \$2 million during any consecutive 12-month period applicable under 49 U.S.C. § 14303(g), meeting the jurisdictional requirements set forth in such provision and 49 C.F.R. § 1182.2(a)(5).

⁹ See Declaration of Spencer Ware in Support of the Debtors' Chapter 11 Petitions And Requests for First Day Relief dated June 11, 2024 (Docket #15) (the "Ware Declaration").

7. No Significant Environmental Impact (49 C.F.R. § 1182.2(a)(6)).

This Application contemplates the assumption of control of the assets of carriers that already provide regular route, charter and other bus services. Thus, there will be no significant operational changes or adverse environmental impacts as a result of the acquisition of control that is the subject of this Application. Avalon intends to provide the same services in the same communities following the consummation of the Transaction. In geographic regions where Avalon already operates, connecting the Coach USA Subsidiaries' current resources and routes to Avalon's will also create greater operational efficiency, which will have a positive environmental impact by decreasing vehicle time on the road.¹⁰

8. Consistency with the Public Interest (49 C.F.R. § 1182.2(a)(7)).¹¹

The Applicants assert that the Transaction is consistent with the public interest, including as relates to (a) the effect of the proposed transaction on the adequacy of transportation to the public; (b) the total fixed charges (*e.g.*, interest) that result from the proposed transaction; (c) the interest of carrier employees affected by the proposed transaction; and (d) the effect of the proposed transaction on competition. Through the proposed acquisition of the assets and services of the Coach USA Subsidiaries, the operations provided with those assets will be maintained, and continued adequate and efficient service will be provided to the public. Avalon is committed to maintaining and improving service to the public and maintaining employment of the Coach USA Subsidiaries workforce.

¹⁰ The Board has also found that environmental review is excluded in similar transactions relating to change of control. See, *e.g.* *Van Pool Transportation, LLC – Acquisition of Control – DS Bus Lines, Inc.*, 87 Fed. Reg. 160 (Aug. 19, 2022). 49 C.F.R. 1105.6(c) excludes transactions under 49 U.S.C. § 14303 from environmental review, provided they do not involve operational changes above certain thresholds, which are not applicable in this Transaction.

¹¹ This analysis does not include data related to the purchase of the assets of Coach Lenzner Subsidiaries (see above), but the Lenzner Designee has generally agreed to honor the commitments of Avalon under the Agreement related to the provision of transportation and the retention of employees.

(a) Effect on Adequacy of Transportation to the Public

Avalon intends to improve transportation options for the public. Avalon has significant experience in providing transportation services, particularly in Texas but also in other markets, such as California and New York. It will use this experience to increase efficiency, by integrating the Coach USA Subsidiaries' current services into Avalon's existing software platform and connecting its existing services to those of the Coach USA Subsidiaries.

Through the Transaction, Avalon will assume charter pricing agreements with charter customers such as universities and schools, athletic teams and other sport-related customers, school field trips, the military, churches, and corporate customers. This wide variety of clientele will continue to have their transportation needs met, and they will likely be able to increase or improve their options for transportation through Avalon's expansion of services. Avalon also intends to purchase new vehicles, increasing the safety, comfort, and reliability of these groups' current transportation. As a result of the Transaction, Avalon will have a vested interest in ensuring services are provided that meet these passengers' transportation needs.

Coach USA is one of the top three transportation providers in Sacramento and Atlanta and it is also a provider to a lesser degree in two Texas markets, Houston and San Antonio. In the absence of the Transaction, the Coach USA Subsidiaries may be required to shut down all of their operations in these regions, which would remove those passenger transportation options from those markets. This decrease in options in these communities would make it harder for the public to obtain adequate transportation services.

(b) Fixed Charges

Avalon will be leveraging long-term relationships with multiple financial partners to acquire the Coach USA Subsidiaries through a combination of cash, term notes, and the

assumption of existing debt of the Coach USA Subsidiaries. It plans to refinance the assumed debt either with its own financial vendors or with the existing lenders to improve the terms of these loans. This may result in additional interest charges for Avalon, but not to a level that is likely to impact the public.

(c) Interest of Carrier Employees

As to employee impacts, the Agreement (as modified at the Auction) provides that prior to the closing date, the Acquisition Companies will offer employment to not less than 95% of the employees at each acquired location operated by the Coach USA Subsidiaries, provided that such employees meet certain minimum hiring eligibility standards described therein. Although the Agreement sets forth the minimum percentage of employees that the Acquisition Companies are contractually obligated to extend comparable job offers to, it is the Acquisition Companies' present intent to extend employment offers to substantially all eligible employees of the Coach USA Subsidiaries working at these locations. Coach USA reported that as of the Petition Date, there were approximately 237 employees: 59 employees working at Sacramento location, 84 employees working at the Atlanta location and 93 employees working at the Kerrville, with a total annual payroll of approximately \$11.8 million. After adjusting for the employees associated with Coach USA's Megabus operation (which is not being acquired by Avalon), the Acquisition Companies anticipate extending comparable job offers with substantially equivalent salary, benefits and seniority to all eligible Coach USA employees. While the majority of employees whose jobs will be preserved as a result of this transaction are the men and women who work as bus drivers for Coach USA, Avalon will also be extending employment offers to maintenance, operations, safety, management, and human resource employees. In addition, for those locations that are short-staffed, Avalon will hire additional personnel, as needed.

According to the pleadings filed by Coach USA in support of the sale transaction with Applicant, absent a going concern sale of the business segments being purchased by Applicant, all of the employees working at these locations will likely lose their respective jobs. (*See Debtors' Motion for Entry of (A) an Order (I) Approving Bidding Procedures in Connection with the Sale of Substantially All of the Debtors' Assets, (II) Designating Stalking Horse Bidders And Stalking Horse Bidder Protections, (III) Scheduling Auction For And a Hearing to Approve the Sale of Assets, (IV) Approving Notice of Respective Date, Time And Place for Auction And for a Hearing on Approval of the Sale, (V) Approving Procedures for the Assumption And Assignment of Certain Executory Contracts And Unexpired Leases, (VI) Approving Form And Manner of Notice Thereof, And (VII) Granting Related Relief; And (B) Orders Authorizing And Approving (I) the Sale of the Debtors' Assets Free And Clear of Liens, Claims, Rights, Encumbrances, And Other Interests, (II) the Assumption And Assignment of Certain Executory Contracts, And Unexpired Leases, And (III) Granting Related Relief dated June 12, 2024 (Docket #20)*)).

(d) Competition and the Public Interest

The law requires the Board to assess competition in the market and to assess the Transaction's potential impact on competition. In making such decisions, the Board and its predecessor, the Interstate Commerce Commission, have consistently approved "common control" arrangements, where two parties' operations are effectively merged into one entity. In such common control cases, charter bus services can improve in quality, via increased economies of scale, without any lessening to the market's competitive landscape. And in viewing the relevant market for passenger carriers, the Board and its predecessor have found that the carrier market includes both intra-modal competition and inter-modal competition, such as bus services and their alternatives. *See GLI Acquisition Co - Purchase - Trailways Lines, Inc.*, 4 I.C.C. 2d 591, 598-602

(1988). Some recent decisions approving common control carriers of this nature include *Avalon Motor Coaches, LLC — Acquisition of Control — Wynne Transportation, LLC*, STB Docket No. MCF 21105 (served Feb. 22, 2023); *Winthrop Sargent, John Cogliano, and Paul Fuerst — Acquisition of Control — Plymouth and Brockton Street Railway Company, Brush Hill Transportation Company, and McGinn Bus Company, Inc.*, STB Docket No. MCF 21089 (served January 3, 2020); and *AAAH Regional Acquisition LLC — Acquisition of Control — First Class Tours, Inc. and Sierra Stage Coaches, Inc.*, STB Docket No. MCF 21087 (served November 1, 2019).

Avalon currently does not own or operate any motor carrier services or routes in the markets serviced by the All West or the ACL Atlanta business segments of the Seller Entities, and thus the Transaction will not result in any competitive impacts in those markets. The only overlap is with respect to the Kerrville business segment operated by Kerrville Bus Company, Inc. (“Kerrville”), which services San Antonio, Texas and Houston, Texas, with a very minimal presence in Dallas, Texas. Avalon also operates motor carrier services and routes in San Antonio, Houston, and Dallas. However, for the reasons discussed below, Avalon’s acquisition of the Kerrville-related assets will not have an adverse impact on competition in any of those markets.

Texas is already one of the largest states by population and is growing. The demand for charter services in Texas is expected to continue increasing for the foreseeable future. Avalon’s Texas operations are based in San Antonio, Houston, and Dallas, with a smaller operation in Beaumont, Texas (a small city in South Eastern Texas near Louisiana).¹² Kerrville’s operations

¹² Avalon’s Beaumont operation has only twelve motorcoach buses that service the Greater Beaumont market.

that are part of this Transaction are based in San Antonio, Houston, with a very small (1-2 buses) presence in Dallas.

Avalon estimates there is a total of 175-225 motorcoach buses competing in the San Antonio market, 200-250 in Dallas, and 225-275 in Houston. Kerrville's operations are a small fraction of each of these markets (less than 1% in Dallas, about 6% in Houston, and less than 12% in San Antonio).¹³ There is already vigorous competition among other available charter services. For example, other providers in San Antonio (and, for many, also in Houston and Dallas) include Charter Up, BusBank, US Coachways, GoGo Charters, Star Shuttle & Charter, Regent Coach Line, OK Tours, Millennium Motorcoach, Imperial Bus Company, Elegant Limousine and Charter, CTA Worldwide Chauffeured Transportation, ETI Limousine & Charter Services, Roadrunner Charters, Inc., San Antonio Charter Bus Company, and Longhorn Charter Bus. Some of these competitors are large, national players that use affiliate/small operators in each market while catering to a national audience. Post-Transaction, those rivals will continue to compete directly with Avalon for the needs of the citizens of San Antonio (and Houston and Dallas), along with publicly-funded bus and rail services, and with private car transportation services that also provide competition for customer needs. With Texas's growing population, additional routes and providers will continue to be needed to keep up with Texas's increasing demands.

The Applicants submit that the Transaction is consistent with the public interest. At base, the Transaction is simply a change in the ownership of Kerrville's assets, and the status quo of competitors will not change. Avalon's acquisition would at most have a negligible reduction in

¹³ Kerrville has a total of 39 motorcoaches. Avalon estimates that the Kerrville vehicle split for service of those markets from Kerrville is as follows: 60% San Antonio service, 35% Houston service, and 5% Dallas service. Thus, in Dallas, Kerrville has one or two buses that operate in a market of an estimated 200-250 buses. In Houston and San Antonio, Kerrville has an estimated 14 and 23 motorcoach buses respectively, again in Houston there are an estimated 225-275 buses and in San Antonio an estimated 175-225 buses.

competition in the three markets (Dallas, Houston, and San Antonio) where Kerrville currently competes. Kerrville's one or two buses in the Dallas metropolitan area are obviously but a drop in the bucket of the already estimated 200-250 buses operating there, and the change in ownership will have no competitive impact. The Houston metropolitan area has an estimated 225-275 charter motorcoach buses in total, and Kerrville's estimated 14 buses are only six percent of that. Avalon has only 13 buses in Houston, so the combined 27 buses Post-Transaction constitute less than twelve percent of the Houston market. Kerrville's estimated 23 buses in San Antonio are likewise a small percentage (less than 12%) of the estimated overall competitive landscape of 175-225 charter motorcoach buses available in that metropolitan area. Avalon has only 19 buses in San Antonio, so the combined 42 buses Post-Transaction constitute only about twenty-one percent of the San Antonio market. These small market percentages do not raise competitive concerns in the Dallas, Houston, and San Antonio markets, especially where there is other vigorous and robust competition already present in these areas.

Because Kerrville will shut down its Texas operations absent the Transaction, the Transaction will have an overall positive impact on competition in the San Antonio and Houston metropolitan areas going forward because service, that may have been lost if Kerrville were to exit, will be retained. Furthermore, Avalon's acquisition will allow for the retention of 83 employee jobs at Kerrville headquarters in San Antonio. Kerrville's Texas operations are also currently generating approximately \$6.5 million of annual services for the year ending 2023 that would difficult to be assimilated in the markets in the short term, meaning that, absent the Transaction, certain clients will be unable to get their services provided. Avalon will also be providing services to clients that have already pre-paid for their trips, an amount Avalon estimates to be approximately \$300,000 for the Coach Subsidiaries collectively. Should Kerrville not

emerge from bankruptcy, those deposit dollars would likely be lost to the greater mix of bankruptcy claims, and the passengers would become unsecured creditors, with little to no projected recovery on their claims. Finally, the Transaction will allow Avalon to take advantage of economies of scale that were previously unavailable to either Avalon or Kerrville. This expanded network will allow for a more diverse set of services and routes.

Likewise, because the All West and ACL Atlanta segments will also shut down their operations absent the Transaction, the Transaction will have an overall positive impact on competition in those affected metropolitan areas going forward because service that may have been lost if those segments were to exit will be retained. Additionally, Avalon's acquisition will allow for the retention of 59 employee jobs at All West headquarters in Sacramento, and 84 jobs at ACL Atlanta headquarters. The All West and ACL Atlanta segments are also currently generating \$9.5 million and \$8.5 million (respectively) of annual services for year end 2023 that would difficult to be assimilated in the markets in the short term, which again means that, absent the Transaction, certain clients will be unable to get their services provided. Avalon will also be providing services to clients that have already pre-paid for their trips. If these segments do not emerge from bankruptcy those deposit dollars will be lost to the greater mix of bankruptcy, and the passengers will become unsecured creditors.

In sum, the Transaction will not impact the competitive carrier market in any of the metropolitan areas (Dallas, San Antonio, and Houston) where Kerrville currently operates, neither competition nor the public interest will be adversely affected, and in fact, the public interest will be enhanced. The same is true in the All West and ACL Atlanta business segments of the Seller Entities, where Avalon does not currently own or operate carrier service.

Board approval of this Application will allow the acquisition of control of the assets of the All West, the ACL Atlanta, and the Kerrville business segments of the Seller Entities to be accomplished without the approval of state regulatory authorities, thus relieving the Transaction's parties from potentially burdensome regulatory requirements. *See* 49 U.S.C. § 14303(f).¹⁴

9. USDOT Safety Fitness Ratings (49 C.F.R. § 1182.2(a)(8)).

Each of the Applicants which is a motor carrier currently holds a U.S. Department of Transportation safety rating of "Satisfactory."¹⁵

10. Sufficient Insurance Coverage (49 C.F.R. § 1182.2(a)(9)).

Avalon certifies that it has the requisite insurance coverage under § 49 U.S.C. 13906(a) and (d) for the service it intends to provide.¹⁶

11. Certification of Domicile (49 C.F.R. § 1182.2(a)(10)).

The Applicants certify that the Transaction does not involve the acquisition of operating rights by entities or individuals who are domiciled in Mexico or owned or controlled by persons of that country.

¹⁴ 49 U.S.C. § 14303(f) provides:

A carrier or corporation participating in or resulting from a transaction approved by the Board under this section, or exempted by the Board from the application of this section pursuant to section 13541, may carry out the transaction, own and operate property, and exercise control or franchises acquired through the transaction without the approval of a State authority. A carrier, corporation, or person participating in the approved or exempted transaction is exempt from the antitrust laws and from all other law, including State and municipal law, as necessary to let that person carry out the transaction, hold, maintain, and operate property, and exercise control or franchises acquired through the transaction.

¹⁵ While not an Applicant, Transportation Management Services, Inc. (one of the Coach Lenzner Subsidiaries) additionally holds a safety rating of "Satisfactory." None of the other Coach Lenzner Subsidiaries are motor carriers.

¹⁶ Avalon does not intend to own or operate the assets of the Coach Lenzner Subsidiaries, but anticipates that the requisite insurance will be separately obtained by the Lenzner Designee.

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

The Applicants certify that the Transaction does not involve the transfer of operating authority to an individual who will hold the authority in his or her name.

13. Certificate of Service (49 C.F.R. § 1182.3)

The Applicants certify that copies of this Application have been filed with the relevant state regulatory bodies in each state in which intrastate operations are affected by the Transaction, including:

California Public Utilities Commission
Consumer Protection and Enforcement Division
505 Van Ness Ave.
San Francisco, CA 94201

Georgia Department of Public Safety
MCCD Regulations Compliance
P.O. Box 1456
Atlanta, GA 30371

Texas Department of Motor Vehicles
4000 Jackson Ave.
Austin, TX 78731

The Applicants additionally certify that they have delivered copies of this Application to the Federal Trade Commission, Bureau of Competition, Premerger Notification Office, and the U.S. Department of Justice, Pre-Merger Notification Unit. Because there are no transfers of operating authority, the Applicants have not delivered copies of this Application to the FMCSA.

14. Conclusion

In conclusion, the Applicants request that the Board approve this application pursuant to 49 U.S.C § 14303. Avalon is a proven motor carrier of passengers and has previously received Board approval to purchase certain assets of Wynne Transportation, LLC. *See Avalon Motor Coaches, LLC-Acquisition of Control-Wynne Transportation, LLC*, STB Docket No. MC-F-21105

TA (approval effective April 11, 2023). Applicants respectfully request the Board to expeditiously process this Application given the accelerated schedule and impending hearing before the Bankruptcy Court to approve the Transaction.

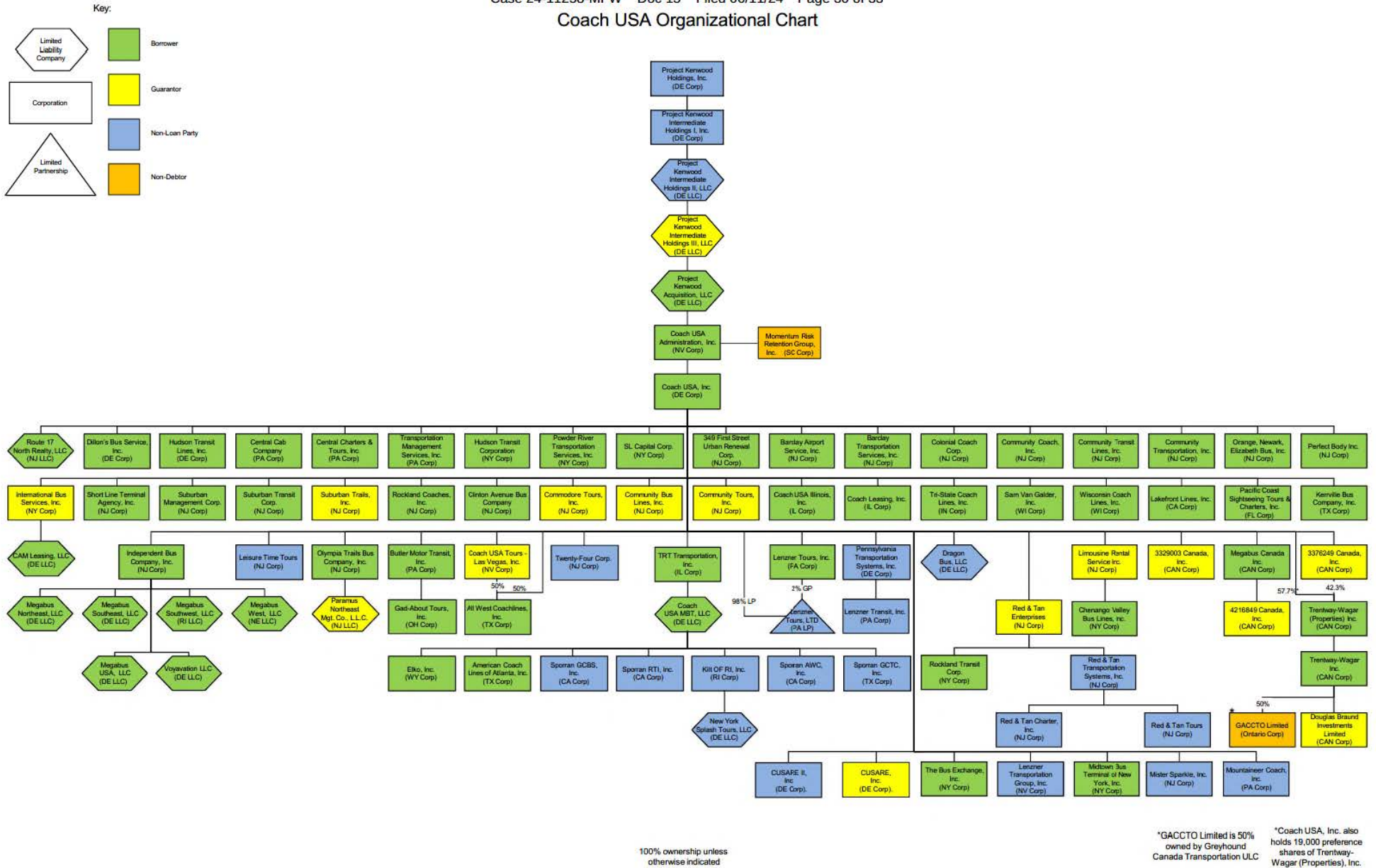
/s/ Barry M. Weisz
Barry M. Weisz
Thompson Coburn LLP
10100 Santa Monica Boulevard Suite 500
Los Angeles, CA 90067
P: 310 282 9448
Attorney for Avalon

Dated: August 12, 2024

Exhibit 1

Organizational Chart of Coach USA

(attached)



VERIFICATION

I, Jeffrey Brush, Manager of applicants Avalon Motor Coaches, LLC and Avalon Transportation, LLC, verify under penalty of perjury, under the laws of the United States of America, that all information supplied in connection with this application is true and correct. Further, I certify that I am qualified and authorized to file this application or pleading. I know that willful misstatements or omissions of material facts constitute Federal criminal violations punishable under §18 U.S.C. 1001 by imprisonment up to five years and fines up to \$10,000 for each offense. Additionally, these misstatements are punishable as perjury under §18 U.S.C. 1621, which provides for fines up to \$2,000 or imprisonment up to five years for each offense.

By: /s/ Jeffrey Brush

Name: Jeffrey Brush

Title: Manager of Avalon Motor Coaches,
LLC and Avalon Transportation, LLC