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Decision No. 14319.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
F. HENNESSEY and M. BRODEL,
co-partners, doing business under the
fictitious name of F. Hennessey & Com-
pany, to sell and transfer, and of
Highway Transport Company, a corpora-
tion, to purchase and acquire a cer-
tificate of public convenience and
necessity, and of Highway Transport
Company, to issue stock.

ORIGINAL

Application Number 10582

Gwyn E. Baker, for applicants.

BY THE COMMISSION:

O P I N I O N

In this application the Railroad Commission is asked to make an order authorizing F. Hennessey and M. Brodel, co-partners, to sell and transfer their certificate of public convenience and necessity and properties to Highway Transport Company, a corporation, and Highway Transport Company to issue 66,997 shares of its capital stock of the aggregate par value of \$66,997.00, in payment therefor.

The record shows that F. Hennessey and M. Brodel, under the firm name and style of F. Hennessey and Company and of Service Motor Transportation Company, are engaged in the business of transporting freight by auto trucks between San Jose and Soledad, Pacific Grove, Hollister and intermediate points, operating under authority granted by the Commission by Decision Number 12057, dated May 8, 1923 in Application Number 8972. In addition, the co-partnership conducts a local drayage business in San Jose and although separate books of account are kept showing equipment and revenues and expenses of the two

classes of business, it is of record that the equipment of one class is used in the service of the other whenever the necessity arises.

The present application shows that Highway Transport Company, a corporation, has agreed to purchase and acquire the certificate of public convenience and necessity granted by Decision Number 12057 and the properties and equipment of F. Hennessey and M. Brodel, including cash on hand and in bank, and accounts and notes receivable, and, in exchange, to assume the payment of outstanding notes and accounts payable and to issue to F. Hennessey and M. Brodel 66,997 shares of its capital stock of the aggregate par value of \$66,997.00.

Applicants have filed, as their Exhibit No. 1, a statement showing the assets and liabilities of F. Hennessey and M. Brodel as of November 6, 1924, as follows:-

<u>A S S E T S</u>		
Plant and equipment	\$80,819.02	
Other property	17,517.21	
Cash on hand and in bank	565.06	
Accounts receivable	9,229.84	
Notes receivable	1,350.00	
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Total assets		\$109,481.13
<u>L I A B I L I T I E S</u>		
Accounts payable	\$10,723.10	
Notes payable	<u>12,004.30</u>	
Total liabilities		<u>22,727.40</u>
Net worth		<u>\$86,753.73</u>

It is of record that subsequent to November 6th, \$10,704.60 of the liabilities have been paid.

The figure representing plant and equipment is the balance after deducting from the cost of such plant and equipment the sum of \$44,226.03 on account of depreciation estimated to have accrued at the rate of twenty-five percent. per annum. It includes, however, the sum of \$24,432.45 representing the "cost of upkeep" of the equipment, and the sum of \$2,000.00 representing the cost to F. Hennessey and

M. Brodel of acquiring the certificate of public convenience and necessity from their predecessors. We believe that for the purpose of this proceeding the \$2,000.00 should be eliminated. The testimony does not justify the conclusion that the \$24,432.45 is in its entirety a charge to capital account. However, because of the payments of debts since November 6th, the issue of the \$66,997.00 of stock would be justified, even if all of the \$24,432.45, as well as the \$2,000.00 item, is eliminated.

Highway Transport Company, so it appears from the record herein, was organized on or about June 20, 1919, with an authorized capital stock of \$100,000.00, divided into 100,000 shares of the par value of \$1.00 each, all common. Of the authorized amount there is now outstanding \$33,003.00 of stock which is said to be held in equal amounts by F. Hennessey and M. Brodel. It is of record that there will be no change in the management or control of any of the properties as a result of the granting of this application, the only effect being to bring all such properties under one ownership. There is no request before the Commission at this time, however, to consolidate the rights granted by the certificates now owned and to be acquired by the corporation and the authority herein granted should not be construed as authority to consolidate such rights or to expand them beyond the separate rights now held by F. Hennessey and M. Brodel as co-partners and by Highway Transport Company.

O R D E R

Application having been made to the Railroad Commission by F. Hennessey and M. Brodel and Highway Transport Company for an order authorizing the transfer of properties and operative rights and the issue of \$66,997.00 of stock, a public hearing having been held before

Examiner Fankhauser and the Railroad Commission being of the opinion that the application should be granted as herein provided,

IT IS HEREBY ORDERED that F. Hennessey and M. Brodel be, and they are hereby, authorized to transfer on or before February 1, 1926 the certificate of public convenience and necessity and the properties to which reference is made in the foregoing opinion and in this application to Highway Transport Company, a corporation, which corporation is hereby authorized in part payment for such properties to issue and deliver \$66,997.00 of its common capital stock.

The authority herein granted is subject to the following conditions:-

1. No authority is hereby conveyed for the consolidation, enlargement or expansion of any operative rights beyond those heretofore held by F. Hennessey and M. Brodel, co-partners, and Highway Transport Company.
2. F. Hennessey and M. Brodel shall cancel immediately all time schedules, tariffs, rates and classifications at present on file with the Railroad Commission, and Highway Transport Company shall file immediately new time schedules, rates, tariffs and classifications or adopt as its own the time schedules, tariffs, rates and classifications heretofore filed with this Commission by F. Hennessey and M. Brodel; all such new time schedules, tariffs, rates and classifications to be identical with those heretofore filed with the Commission, such cancellations and filings to be in accordance with the provisions of General Order No. 51 and other regulations of the Railroad Commission.

3. The rights and privileges, the transfer of which is herein authorized, may not again be transferred, assigned, leased, sold, hypothecated or operations thereunder discontinued unless the written consent of the Railroad Commission to such transfer, assignment, lease, sale, hypothecation or discontinuance shall have first been secured.
4. No vehicle may be operated by Highway Transport Company under the authority contained in this decision unless such vehicle is owned by such company or leased by it under a contract or agreement on a basis satisfactory to the Railroad Commission.
5. Within thirty days after the issue and delivery of the stock herein authorized, Highway Transport Company shall file with the Commission a verified report as required by the Railroad Commission's General Order No. 24, which order in so far as applicable, is made a part of this order.
6. The authority herein granted to transfer rights and properties and to issue stock will become effective upon the date hereof.

DATED at San Francisco, California, this 2nd day of ~~November~~ ^{December}, 1924.

C. L. Seavey
H. B. ...
Dwight Martin
Eugene Shore

Commissioners.