

ORIGINAL

Decision No. 51052

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 FRANK J. BROWN, doing business as)
 A & B GARMENT DELIVERY of SAN)
 FRANCISCO, to sell, and A & B GARMENT)
 DELIVERY OF SAN FRANCISCO, a corpora-)
 tion, to purchase, operating rights)
 and properties of a highway common)
 carrier, and the application of A & B)
 GARMENT DELIVERY OF SAN FRANCISCO, a)
 corporation, for authority to issue)
 stock to FRANK J. BROWN and GARMENT)
 CARRIERS, INC., a corporation.)
 -----)

Application
No. 36626

O P I N I O N

This is an application for an order of the Commission authorizing Frank J. Brown to sell highway common carrier operative rights and properties to A & B Garment Delivery of San Francisco, a corporation, and authorizing said corporation to issue 293.9964 shares of its common stock of the par value of \$100 each.

Applicant Brown is engaged in business as a radial highway common carrier, a highway contract carrier and a city carrier and, in addition, as a highway common carrier under a certificate of public convenience and necessity granted by Decision No. 48808, dated July 7, 1953, authorizing the transportation of garments, clothing and wearing apparel, when transported on hangers, and merchandise incidental thereto, generally between San Francisco and East Bay points and between San Francisco and San Jose. In addition, he owns all the outstanding stock of Garment Carriers, Inc., a highway common carrier of garments and wearing apparel between San Francisco and Los Angeles and intermediate points. For the first nine months of 1954, applicant

Brown reports operating revenues of \$107,933.05, with a net loss for the period of \$722.20, after making deduction for depreciation in the amount of \$4,360.38.

The application shows that said Brown desires to operate his business under a corporate form of organization and that to accomplish this end proposes to transfer his operative rights and properties to a corporation named A & B Garment Delivery of San Francisco which he has caused to be organized.

The new corporation has an authorized capital stock of 750 shares, of the par value of \$100 each and of the aggregate par value of \$75,000. It proposes, and here seeks authorization, to issue to Frank J. Brown shares of stock having a total par value equivalent to the book value of the assets as reflected on the books as of the date of transfer, excluding any allowance for goodwill in determining the book value, and in addition to issue shares of stock to Garment Carriers, Inc. in cancellation of certain notes now payable to it.

Upon the completion of the transfer, the new corporation will have outstanding 293.9964 shares of stock, of which 292.4953 shares will be held by Garment Carriers, Inc. and 1.5011 shares by Frank J. Brown. A statement showing the assets, liabilities and capital of Frank J. Brown as reflected by his books on September 30, 1954, together with a pro forma statement of the new corporation giving effect to the transaction, is as follows.

<u>Assets</u>	<u>Applicant F. J. Brown</u>	<u>Corporation Pro Forma</u>
Current assets -		
Cash	\$ 7,316.66	\$ 7,316.66
Accounts receivable	17,576.01	17,576.01
Prepaid expenses	1,131.66	1,131.66
Materials and supplies	1,385.15	1,385.15
Total current assets	27,409.98	27,409.98
Tangible assets, less reserve	28,586.86	28,586.86
Goodwill	18,788.22	- -
Cost of franchises	1,106.67	1,106.67
Organization expense	61.08	61.08
Totals	<u>\$75,952.81</u>	<u>\$57,164.59</u>
<u>Liabilities and Capital</u>		
Current liabilities	\$14,736.70	\$14,736.70
Equipment contracts	13,028.25	13,028.25
Notes to Garment Carriers, Inc.	29,249.53	- -
Capital	18,938.33	29,399.64
Totals	<u>\$75,952.81</u>	<u>\$57,164.59</u>

From a review of the application it appears that there will be no change in the rates or service to the public nor in the equipment and facilities available for the operations. In consummating the transaction the corporation will transfer to its records the amounts now appearing on the books of applicant Brown reflecting his investment in current, tangible and other assets but will eliminate applicant Brown's presently recorded goodwill account of \$18,788.22 and will convert \$29,249.53 of outstanding notes into common stock, thereby improving the balance sheet position of the enterprise.

It is our opinion, and we so find, that the proposed transfer will not be adverse to the public interest. In making the order herein, however, we wish to place applicants upon notice that operative rights, as such, do not constitute a class of property which may be capitalized or used as an element of value in rate fixing for any amount of money in excess of that originally paid to the state as the consideration for the grant of such rights. Aside from their purely permissive aspect, they extend to the holder a full or partial monopoly

of a class of business over a particular route. This monopoly feature may be changed or destroyed at any time by the state, which is not in any respect limited as to the number of rights which may be given.

The action taken herein shall not be construed to be a finding of the value of the rights and properties herein authorized to be transferred.

ORDER

The Commission having considered the above entitled matter and being of the opinion that a public hearing is not necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for by the issue of the shares of stock herein authorized is reasonably required by applicant corporation for the purposes specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Frank J. Brown, on and after the effective date hereof and on or before June 30, 1955, may transfer to A & B Garment Delivery of San Francisco the certificate of public convenience and necessity granted him by Decision No. 48808, dated July 7, 1953, together with the properties used in his operations.

2. A & B Garment Delivery of San Francisco may issue not exceeding 293.9964 shares of common stock, at par, in payment for said certificate and properties and in cancellation of outstanding indebtedness, in accordance with the program outlined in this application.


3. Garment Carriers, Inc. may acquire and hold 292.4953 shares of the stock of A & B Garment Delivery of San Francisco herein authorized to be issued.

4. On not less than five days' notice to the Commission and to the public, applicants shall supplement or reissue the tariffs on file with the Commission naming rates, rules and regulations governing the common carrier operations here involved to show that Frank J. Brown has withdrawn or canceled and A & B Garment Delivery of San Francisco has adopted or established, as its own, said rates, rules and regulations. The tariff filings made pursuant to this order shall comply in all respects with the regulations governing the construction and filing of tariffs set forth in the Commission's General Order No. 80.

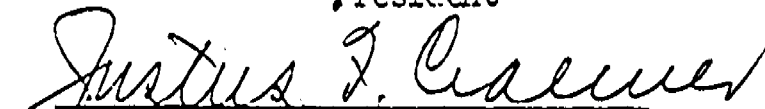
5. A & B Garment Delivery of San Francisco shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.


6. The authority herein granted will become effective 20 days after the date hereof.


Dated at San Francisco, California, this 1st day of February, 1955.



President







Commissioners