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Decision No.

ORIGINAL

Decision No. 2792

BEFORE THE RAILROAD COMMISSION OF
THE STATE OF CALIFORNIA.

In the Matter of the Application
of CRESCENT BOAT COMPANY, a cor-
poration, for an order authoriz-
ing the issue of capital stock.)

Application
No. 1864.

LEOVY & LEOVY for applicant.

BY THE COMMISSION.

OPINION

This is an application by CRESCENT BOAT COM-
PANY for an order authorizing the issue of 74,997
shares of capital stock of the par or face value of \$1.
each for the acquisition of certain launches, wharves,
piers, pavilions, appliances and equipment incident to
the ferry and boating business formerly conducted by
Point Loma Ferry Company and Messrs. Rand and Chandler.

At the hearing held in San Diego on September
20th, testimony was submitted showing that the
Point Loma Ferry Company was organized some eight or
nine years ago, and has since been engaged in business

on San Diego Bay, operating excursion launches, carrying freight, and operating a ferry from San Diego to Roseville, Fort Rosecrans and other points on the Point Loma peninsula, under a franchise with about ten years still to run, authorizing the establishment of such a ferry upon San Diego Bay between a point near the foot of what is now Market Street, in San Diego, and a point near the foot of Talbot Street, in Roseville, the latter point being also within the corporate limits of San Diego.

The partnership of Rand and Chandler, composed of Charles W. Rand and Ralph J. Chandler, has more recently acquired the business and property of the McKinley Tours Company, including a number of launches and a franchise to operate a ferry across San Diego Bay from a point near the foot of Market Street in San Diego to a point some nine or ten miles down the bay at South San Diego, all of which property it operated prior to the execution of the contract hereinafter referred to in the conduct of a business similar in character to that of Point Loma Ferry Company. Said firm has also acquired a franchise for wharf and pavilion at the foot of Broadway, the principal business street of San Diego, and has built new landing piers, pavilions and several launches and has caused the incorporation of applicant, Crescent Boat Company, with an authorized capital stock of 75,000 shares of the par value of \$1. each, 300 of said shares being subscribed by the incorporators, and three shares issued to them.

On May 1, 1915, Crescent Boat Company, as party of the second part, entered into a contract with Point Loma Ferry Company, R. M. Creswell and M. E. Creswell, as parties of the first part, and Ralph J. Chandler and Charles W. Rand, as parties of the third part, by the terms of which first parties are to procure the vesting of title in second party of twenty-year lease under date of April 18, 1915, for certain tide lands at the foot of "H" Street, now known as Market Street, San Diego, and to vest title in it by suitable conveyances of the other property of first parties described in the contract; and the third parties are to procure the vesting in second party of the rights in certain tide lands at the foot of Broadway, San Diego, enjoyed by said Rand, and to vest title in second party by suitable conveyances of their said properties described in the contract. Said third parties also agree to execute and deliver to one Martin H. Epstein, to be held by him in escrow, their note for \$3,000, payable on or before two years, for the benefit of Point Loma Ferry Company, the note to be delivered to first parties upon the vesting of the properties described in the contract.

In consideration of said properties second party is to issue to first party 375 shares of its capital stock referred to as one-half thereof, and to third parties 372 shares of its capital stock, which, together with three shares issued for incorporation purposes, are referred to as constituting the other half of its capital stock. The reference in the contract to said number of shares is upon the

erroneous supposition at the time the contract was drawn that the applicant's stock was of the par value of \$100. per share.

The contract further provides that the first and third parties are each to cause one of their shares to be issued to Mr. Epstein, who is to serve as one of three directors, Captain R. M. Creswell and Mr. Chandler being the other directors; and that Captain Creswell is to be elected president, Mr. Chandler vice-president and general manager at a salary of \$150. a month, Captain Hall secretary and superintendent of boating at a salary of \$150. per month, and Mr. Epstein treasurer; and defines the duties of the general manager and superintendent. It also provides that pending the procuring of the Point Loma franchise in the name of second party and the vesting of the lease of the tide lands at the foot of Broadway in the name of second party, the necessary conveyances and assignments for all of the properties are to be held in escrow by Mr. Epstein, and that if the said properties are not vested on or before four months after date third parties may withdraw their conveyances and assignments; meanwhile the properties are to be operated by second party in its own name, the first and third parties sharing equally the profits or losses. It is provided that later the name of the corporation is to be changed to "Star and Crescent Boat Company".

The first and third parties guarantee the properties conveyed to be free of encumbrance and

that they will respectively pay any claims later developing in reference to their respective properties.

It is stated that the properties are all free from encumbrance, that applicant has no debts, that the contract is being carried out, and that the necessary conveyances and assignments are in escrow, awaiting the performance of all of the terms of the contract and the permission of this Commission to issue the stock.

The \$3,000 note is not proposed to be issued by the utility but by one of its proposed group of stockholders to another such group in the adjustment of values agreed upon between them.

Pursuant to said contract applicant has successfully operated said business and properties since May 1, 1915. Its condensed statement and trial balance introduced in evidence as applicant's Exhibit "2" shows net profits earned between May 1 and August 31, 1915, amounting to \$11,402.78.

The general nature and extent of the business conducted is well indicated by the gross income shown upon the operative statement as follows:

Point Loma & North Island Ferry	\$4,036.12
South San Diego & Imperial Beach Ferry	872.00
De Luxe Excursions	7,100.65
Coronado Islands	2,760.75
Miscellaneous Passenger Service	7,083.45
Towing & Freight	3,892.16
Income from Rentals	223.34
Interest earned	<u>15.34</u>
TOTAL	\$25,983.81

The items designated "De Luxe Excursions" and "Coronado Islands" indicate revenues derived from the operation of excursion boats running upon regular schedules. The item "Miscellaneous Passenger Service" represents revenues derived from the carriage of passengers upon special trips and excursions for which boats are chartered, and occasional and irregular service of a similar character, such as carrying belated passengers to vessels in the harbor, excursions and trips to visiting warships and other vessels. The item "Towing and Freight" represents revenues derived from the transfer of freight from the wharves to vessels in the harbor, the carriage of parcels upon the excursion and ferry boats and the towing of rafts, lighters and similar craft for others. The item "Income from Rentals" represents revenues derived from wharfage charges received for the use of the wharves operated as part of the business.

The total values of the tangible properties, with the cost and estimated cost of acquiring the franchises and leases, are stated by applicant as follows:

Launches (17) & Equipment	\$44,016.38
Wharf Equipment (Lighters, Floats, Etc.)	1,398.58
Piers & Pavilions (4) & Equipment	18,618.40
Skiffs (1)	20.00
Furniture & Fixtures	645.24
Tools & Appliances	50.00
Merchandise Stock (Fuel Oil, etc.)	113.31
Merchandise Stock (Postal Cards)	19.80
Stationery Stock	271.42
South San Diego Ferry franchise	379.50
Franchise for wharf and pavilion foot of Broadway, and its transfer	300.00
Franchise for wharf and pavilion foot of Market Street	335.00
TOTAL	\$ 66,165.63

or over 88.2¢ per share for all of applicant's capital stock of 75,000 shares.

The last three items in the above tabulation relating to franchises represent the actual cost of procuring them, except that the figures for the Market Street wharf are estimates.

In addition to these sums there were comparatively nominal sums paid in acquiring the present rights enjoyed at Roseville, at La Playa and at South San Diego, the amounts of which could not be supplied. The values placed upon the tangible properties are stated to represent present values of the properties in their present condition, suitable allowance having been made for depreciation, except in cases where the property has been constructed within the last few months. The above valuations are stated for the purposes of this proceeding only.

Applicant's attorney stated that it was not desired to capitalize the items of cash in various places, amounting to \$6,522.40, nor the accounts and notes, amounting to \$2,432.55, which are stated to be worth par.

Market Street and Broadway, in the City of San Diego, are the only streets leading to the west bay front on which there are street car lines reaching deep water. Applicant's wharves stand in forty feet of water. These locations are considered by it peculiarly desirable and valuable for use in connection with its business.

We find as a fact that the purposes for which the proceeds of the said stock hereinafter authorized to be issued are to be used are not in whole or in part reasonably chargeable to operating expenses or to income.

O R D E R

CRESCENT BOAT COMPANY having applied to the Railroad Commission of the State of California for authority to issue 74,997 shares of its capital stock of the par value of \$1. per share for the acquisition of the properties described in the application; and a hearing having been had upon said application, and this Commission having found that the property proposed to be procured or paid for by such issue is reasonably required for the purpose of conducting applicant's business, as hereinbefore described, and that the purposes for which applicant proposes to issue said stock are not in whole or in part reasonably chargeable to operating expense or to income;

IT IS HEREBY ORDERED that Crescent Boat Company be, and it is hereby, authorized to issue 74,997 shares of its capital stock, of the par value of \$1. per share, upon the receipt by said company of good and sufficient transfers for all of the prop-

erty described in the application and the copy of contract attached thereto, said property to be transferred free of encumbrance. This order is upon the following conditions, and not otherwise, to wit:

1. The stock herein authorized to be issued shall not be taken, before this Commission or any other public authority, as representing for rate fixing purposes the actual value of the property;

2. The authority hereby given to issue stock shall apply only to stock issued by applicant on or before January 1, 1916;

3. Applicant shall report to this Commission within thirty days after the issuance of said stock the fact of the issue thereof, the names of the persons to whom said stock was issued, and the number of shares issued to each person.

Dated at San Francisco, California, this 30th day of September, 1915.

Max Thelen
Alvin G. Gordon
Edwin O. Edgerton
Francis R. Dehn
Commissioners.