

Decision No. 39309

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application }
of AVALON TRANSPORTATION CO. for }
Order Authorizing Issue of Stock. }

Application No. 27620

ORIGINAL

O P I N I O N

In this application, Avalon Transportation Co. asks permission to issue 620 shares of its no par common stock at \$10 a share.

Avalon Transportation Co. is a corporation organized under the laws of the State of California on or about October 15, 1945, with an authorized capital stock of 2,500 shares without par value. In Decision No. 38792, dated March 26, 1946, in Application No. 27236, it was granted a certificate of public convenience and necessity to establish and operate a service as a common carrier for the transportation of persons and hand baggage by vessel between Balboa, Orange County, and Avalon, Catalina Island. (1)

The application shows that in order to operate during the 1946 season the company chartered a boat, advancing therefor the sum of \$3,000 as prepaid rental and, in addition, spending \$946.93

(1) The company commenced its operations on May 27, 1946 and for the ensuing eight weeks period reports gross income of \$6,028.81 and expenses of \$6,216.67.

for seats and a canopy. It appears that it has financed these and other initial requirements incident to the inauguration of its business primarily with advances, amounting to \$5,000, from its organizers, officers and directors and that it has incurred other obligations aggregating \$1,200 for attorney's fees and preliminary investigations. The total expenditures up to June 16, 1946, are reported in Exhibit "A" and in the application as follows:-

Attorney's fees	\$ 1,000.00
Preliminary investigations	200.00
Seats and canopy on boat, ownership to be retained by applicant	946.93
Governmental fees (Secretary of State, County Clerk, Railroad Commission, Franchise Tax)	<u>133.95</u>
Sub-total	2,280.88
Advance payment to owner of boat	3,000.00
Display signs	75.00
Printing tickets	69.20
Year's rent for ticket booth	75.00
Manager's salary (5 weeks)	250.00
Traveling expense	6.67
Newport Beach city license	12.00
Commission for sale of tickets and dockage at Balboa	203.26
Port head-tax, City of Avalon	172.00
Advertising	65.63
Transportation tax	207.90
Incidentals	<u>10.50</u>
Total	<u>\$ 6,428.04</u>

The cash expenditures over and above the amounts received from the organizers, officers and directors were financed with moneys received from the sale of tickets.

Applicant has not issued any stock, notes or other securities. It now proposes, subject to receiving permission from the Commission, to issue 620 shares of stock, at \$10 a share, in

payment of the advances of \$5,000 made to it and of the legal and other preliminary fees of \$1,200.

Upon reviewing this matter it appears to us that applicant should be authorized to issue stock to pay organization costs and fees, and to finance the installation of additions to the boat, as set forth herein, and to provide a reasonable amount of working capital. In support of the request to issue stock for working capital the company reports that the charter of the boat for the five months' season of 1946 will amount to \$2,000 a month, or \$10,000 for the season, of which it was compelled to advance \$3,000, and it estimates its other expenses, in addition to the charter, at \$2,000, or \$400 a month.

We have considered the application and believe applicant at this time properly may be authorized to issue stock to provide working capital in an amount approximately equal to one month's operating expense plus the required advance on the chartered vessel.

The order herein, accordingly, will authorize Avalon Transportation Co. to issue \$5,600 of stock to pay amounts incurred for organization costs, preliminary fees and expenses and property and to provide working capital. Any sums needed in excess of such amount should be represented by advances from stockholders.

O R D E R

Avalon Transportation Co. having applied to the Railroad Commission for permission to issue 620 shares of stock at \$10 a share, and the Commission having considered the matter and being of the opinion that a public hearing is not necessary, that the issue of 560 shares of stock at \$10 a share is reasonably required for the purposes specified herein, which purposes are not, in whole or in part reasonably chargeable to operating expenses or to income, and that applicant's request to issue the remaining 60 shares should be dismissed without prejudice, therefore,

IT IS HEREBY ORDERED as follows:-

1. Avalon Transportation Co. may, after the effective date hereof and on or before October 31, 1946, issue 560 shares of its no par common stock at \$10 a share for the purpose of paying attorney's and preliminary fees and expenses and costs of installing seats and a canopy as set forth in the preceding opinion, and of providing working capital.
2. The application to issue the remaining 60 shares of stock is dismissed without prejudice.
3. Applicant shall file a report, or reports, of the issue of the stock and of the disposition of the proceeds as required by the Commission's General Order No. 24-A, which order insofar as applicable is made a part of this order.

4. The authority herein granted will become effective twenty (20) days from the date hereof.

Dated at San Francisco, California, this 13th day of August, 1946.

Harold Huls
Justice J. Quinn
Thomas Owen
John P. ...
A. J. ...
Commissioners