

ORIGINAL

Decision No. 52148

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of Stearns Wharf Company, a cor-)
poration, to sell and Santa Barbara)
Wharf Company, a corporation, to)
purchase wharf and other assets, and)
of Santa Barbara Wharf Company, a)
corporation, to issue stock and notes)
and to assume indebtedness.)
-----)

Application
No. 37368

O P I N I O N

This is an application for an order authorizing: (1) Stearns Wharf Company, a corporation, to sell and transfer to Santa Barbara Wharf Company, a corporation, a public wharf at Santa Barbara, together with a wharf franchise, improvements and personal property pertaining to the wharf; (2) Santa Barbara Wharf Company to issue and sell 400 shares of stock, at par for cash, having an aggregate par value of \$40,000; (3) Santa Barbara Wharf Company to execute a mortgage of chattels and to issue its notes in the aggregate principal amount of \$85,000; and (4) Santa Barbara Wharf Company to assume the payment of indebtedness of \$5,000 represented by a note issued by Stearns Wharf Company.

Stearns Wharf Company for many years has owned, managed and operated a public wharf at Santa Barbara as a public utility, which wharf, in addition, has been utilized for recreational and business activities of a nonpublic utility nature. For the last three years it has reported its revenues as follows:

	<u>Wharfinger Revenues</u>	<u>Nonutility Revenues</u>	<u>Net Income</u>
1952	\$ 6,438.98	\$38,334.16	\$ (836.08)
1953	8,480.76	38,523.14	6,721.77
1954	10,473.21	37,862.14	3,220.26

The application shows that the stockholders of Stearns Wharf Company concluded to withdraw from business as public wharfingers and that they entered into negotiations looking toward the transfer of the properties of Stearns Wharf Company, at their book value, to Santa Barbara Wharf Company which negotiations culminated in the execution of a bill of sale on June 29, 1955. The organizers of the latter company, upon the transfer of the business, intend to extend and improve the wharfinger and other operations and facilities. It appears that they have spent \$24,963.68 for extraordinary repairs during 1955.

In acquiring the properties, Santa Barbara Wharf Company agreed to assume the payment of an outstanding note for \$5,000 payable in monthly installments of \$75, or more, including interest at the rate of 4% per annum, and to pay Stearns Wharf Company the sum of \$125,000 of which \$75,000 is to be paid in cash and \$50,000 is to be represented by a promissory note payable in monthly installments of \$1,000, or more with interest on the unpaid principal at the rate of 5% per annum, the note to be secured by a mortgage of chattels upon the properties to be transferred. It arranged to obtain the \$75,000 cash payment from the issue of stock and notes as follows:

	<u>Stock</u>	<u>Notes</u>
George V. Castagnola	\$12,000	\$10,500
Mario M. Castagnola	8,000	7,000
Norman Hagen	<u>20,000</u>	<u>17,500</u>
Totals	\$40,000	\$35,000

The \$35,000 of notes are payable ten years after the date of issue with interest at the rate of 6% per annum.

Santa Barbara Wharf Company made application to the Commissioner of Corporations for authorization to issue the \$40,000 of stock and the \$35,000 of notes and, pursuant to a permit entered by such Commissioner on June 10, 1955, issued such securities and deposited

them in escrow with the County National Bank and Trust Company of Santa Barbara as escrow holder. It clearly appears that the failure of applicants to obtain from the Public Utilities Commission authorization to transfer public utility property and to issue securities was through inadvertence and with no intent to evade the provisions of the Public Utilities Code. Upon being made aware of the jurisdiction of this Commission, they took immediate steps to obtain the appropriate approval.

Upon the basis of the verified application we are of the opinion, and so find, that the transfer of the properties will not be adverse to the public interest, that applicants should execute a new bill of sale and issue new securities, that the money, property or labor to be procured or paid for by the issue of the stock and notes authorized herein is reasonably required for the purpose specified and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income. Accordingly, we will enter our order approving the application.

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

O R D E R

The Commission having considered the above-entitled matter, and being of the opinion that a public hearing is not necessary and that the application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED:

1. That Stearns Wharf Company, on and after the effective date hereof and on or before December 31, 1955, may sell and transfer its franchise, business, and properties, as described in Exhibits B and C of this application, to Santa Barbara Wharf Company.

2. That Santa Barbara Wharf Company, for the purpose of financing the payment for such franchise, business, and properties, may issue and sell at par, for cash, not exceeding \$40,000 par value of its capital stock and may issue notes in the aggregate principal amount of not exceeding \$35,000, such notes to be in, or substantially in, the same form as those filed in this application as Exhibit F.

3. That Santa Barbara Wharf Company, in further payment for said franchise, business and properties, may execute a mortgage of chattels and issue a note in the principal amount of \$50,000, which mortgage and note shall be in, or substantially in, the same form as those filed in this proceeding as Exhibit D and Exhibit E.

4. That Santa Barbara Wharf Company may assume the payment of the \$5,000 note, a copy of which is filed in this application as Exhibit G.

5. That all documents evidencing the securities authorized by paragraph 2 herein shall forthwith be deposited with County National Bank and Trust Company of Santa Barbara as escrow holder to be held as an escrow pending the further written order of the Commission; that the receipt of said escrow holder for said documents shall be filed with the Commission; and that the owner or persons entitled to said securities shall not consummate a sale or transfer of them or any interest therein or receive any consideration therefor until the written consent of the Commission shall have been obtained so to do.

6. That on not less than one day's notice to the Commission and to the public, applicants shall join in common supplement to the tariff on file with the Commission in the name of Stearns Wharf Company, to show that said corporation has withdrawn or canceled and that Santa Barbara Wharf Company concurrently has adopted or established as its own said rates, rules and regulations. The tariff filings made pursuant to this order in all respects shall comply with the Commission's Tariff Circular No. 2.

7. That Santa Barbara Wharf Company shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

8. That the authority herein granted will become effective when Santa Barbara Wharf Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$85.

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

[Signature]
President

[Signature]
[Signature]

[Signature]

Commissioners

