

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Richard Coffey, an Individual, for Authorization to Acquire Additional Stock of and to Transfer Control of Vessel Carrier Catalina Freight Line (VCC-58).

Application 12-10-021
(Filed October 18, 2012)

O P I N I O N**Summary**

This decision grants the application to acquire additional shares of stock and to transfer control of Catalina Freight Line (Catalina), a vessel common carrier (VCC), from the Jack Fennie, Jr. Irrevocable Trust (Seller) to Richard Coffey (Buyer) pursuant to Pub. Util. Code § 854.

Discussion

Catalina is a VCC authorized to transport freight between Los Angeles Harbor and the City of Avalon and other points on Santa Catalina Island. The principal commodities transported are fuel, foodstuffs and other consumable goods, furniture, machinery, vehicles, animals, and bulk building materials. Catalina provides the transportation using two tugboats and two barges, and one military style landing craft. The service has operated on a continuous basis for over 44 years. Catalina currently has 20 full-time employees.

Buyer currently owns 1,225 shares (49%) of the issued and outstanding shares of Catalina's stock, and desires to purchase an additional 775 shares (31%) of stock from the Seller, and thereafter operate and manage Catalina as the

principal owner. The application requests approval to acquire additional stock and to transfer control of vessel common carrier Catalina from Seller to Buyer.

Jack Fennie, Jr. is Seller's beneficiary. As he approaches his senior years, Fennie wishes to realize as much liquidity as possible and to diversify Seller's assets into investments that provide for predictable, steady returns. Seller's Trustee supports these objectives. The proposed transaction will also remove the need for the Trustee and his advisors to oversee the operations of Catalina, which would free up the Trustee to carry out a more traditional role of overseeing Seller's assets and income through conventional financial investments.

Buyer has been running the day to day operations of Catalina since February 2005 as its Chairman of the Board, President, and Chief Executive Officer. He now desires the opportunity to continue to improve service and expand operations as the principal owner rather than as an employee. As principal owner, Buyer believes he will have more freedom to implement services that will benefit the community of Avalon as well as Catalina. Fennie and Seller's Trustee are confident that with his proven leadership and performance, Buyer will continue to be an excellent steward of Catalina's assets, resources, and programs in support of the community. Buyer's professional business experience includes serving as Operations Manager of Jacuzzi, where he was responsible for directing a staff of over 700 and controlling more than \$100 million in assets. He holds degrees in Economics and Mechanical Engineering from the University of Michigan, and an M.B.A. from the London Business School.

Upon approval by the Commission, Buyer will acquire Seven Hundred and Seventy-Five (775) shares or 31% of Catalina's stock for a total purchase

price of \$310,444. The transaction involves a 100% Seller carry-back loan, amortized over four (4) years with sixteen (16) quarterly payments with interest at a rate of 5.0% per annum, the first payment to be due three months following the closing of the transaction. Buyer indicates he has the necessary financial resources to take control of Catalina. He states he has sufficient personal assets and income to make the quarterly installment payments. According to Buyer, Catalina's freight rates will not need to be increased to cover any of these payments.

At the close of the transaction, it is anticipated that Catalina will have about \$500,000 net working capital and approximately \$250,000 in cash, which is the typical level of working capital currently held by the company. In addition, Buyer has arranged for Catalina's current bank revolving line of credit of \$500,000 to continue to be available after the closing as a source of funds in case of emergency. Buyer assures that the proposed transaction will not affect the number of captains, crew, and other staff employed, or their salaries and benefits.

Notice of filing of the application appeared in the Commission's Daily Calendar on November 5, 2012. A copy of the application was served to the Clerk of the Board of Supervisors and to the Los Angeles County Counsel of the County of Los Angeles.

In Resolution ALJ 176-3304 dated November 8, 2012, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were not necessary. No protest has been received. Given this status, public hearing is not necessary, and it is not necessary to alter the preliminary determinations made in Resolution ALJ 176-3304.

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

Assignment of Proceeding

Emory J. Hagan, III is the assigned Examiner in this proceeding.

Findings of Fact

1. Catalina is authorized to operate as a VCC to transport freight between Los Angeles Harbor and points on Santa Catalina Island.
2. Seller currently owns 51% of the issued and outstanding shares of stock of Catalina.
3. Buyer currently owns 49% of the issued and outstanding shares of stock of Catalina.
4. Buyer requests authority to acquire an additional 775 shares (31%) of the issued and outstanding shares from the Seller and thereby as majority shareholder and principal owner, gain control of Catalina's operations through the purchase.
5. Buyer has the knowledge, experience, and financial ability to operate Catalina.
6. The proposed transfer to purchase additional stock and to transfer control will not be adverse to the public interest.
7. No protest to the application has been filed.
8. A public hearing is not necessary.
9. It can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

Conclusions of Law

1. The proposed transaction to purchase additional stock and to transfer control of Catalina from Seller to Buyer should be authorized.
2. Since the matter is uncontested, the decision should be effective on the date it is signed.

O R D E R

IT IS ORDERED that:

1. Pursuant to Pub. Util. Code § 854, Richard Coffey is authorized to acquire an additional seven hundred and seventy five (775) shares or 31% of the issued and outstanding shares in Catalina Freight Line, resulting in the transfer of control of this vessel common carrier from the Seller, The Jack Fennie, Jr. Irrevocable Trust to the Buyer, Richard Coffey.
2. Within fifteen (15) days of the date the transaction closes, Richard Coffey shall notify the Commission's Safety and Enforcement Division (formerly known as the Consumer Protection and Safety Division) in writing thereof.
3. The authority granted by this order shall lapse unless it is exercised within 90 days of the effective date of this order.
4. This proceeding is closed.

Dated _____, at San Francisco, California.