

Decision No. 19894

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 PARR TERMINAL COMPANY )  
 and )  
 PARR TERMINAL CORPORATION )  
 for an order authorizing the trans- )  
 fer of certain property from Parr )  
 Terminal Company to Parr Terminal )  
 Corporation, the issuance by Parr )  
 Terminal Corporation of certain )  
 shares of its capital stock to Parr )  
 Terminal Company and the assumption )  
 by Parr Terminal Corporation of )  
 certain liabilities of Parr Terminal )  
 Company. )

ORIGINAL

Application No. 14562.

In the Matter of the Application of )  
 PARR TERMINAL CORPORATION )  
 for an order authorizing the crea- )  
 tion of bonded indebtedness in the )  
 sum of Four Hundred Thousand )  
 Dollars (\$400,000) and issuance and )  
 sale of bonds in the sum of Four )  
 Hundred Thousand Dollars (\$400,000). )

Application No. 14721.

Morrison, Hohfeld, Foerster, Shuman & Clark,  
 by R. C. Foerster and W. L. Holloway,  
 for applicants.

BY THE COMMISSION:

O P I N I O N

In Application No. 14562 the Railroad Commission is asked to authorize Parr-Richmond Terminal Corporation (formerly Parr Terminal Corporation), among other things, to issue \$250,000.00 of common capital stock.

In Application No. 14721 the Commission is asked to authorize the company to execute a mortgage and to issue and sell,

at ninety-one percent of face value, \$400,000.00 of first mortgage six and one half percent fifteen year bonds, and to issue such additional shares of common stock (not exceeding \$210,400.00 par value) as the Commission may deem proper.

The Commission heretofore, by Decision No. 19707, dated May 3, 1928, in Application No. 14562, made its preliminary order authorizing the company to issue \$26,100.00 of the \$250,000.00 of stock applied for therein, of which \$1,100.00 was to be issued to its directors for cash and \$25,000.00 was to be issued in part payment for certain properties hereinafter referred to. It had developed, in connection with that application, that the company proposed filing a petition for permission to issue bonds and the Commission concluded that the issue of additional stock should be considered with the bond application. Thereafter, on May 22, 1928, the company filed Application No. 14721 for permission to issue bonds and stock in the amounts set forth above.

Parr Terminal Corporation was organized under the laws of the State of California on or about July 12, 1927, with an authorized capital stock of \$500,000.00, divided into 5,000 shares of the par value of \$100.00 each, all common. On May 28, 1928, by a decree of the Superior Court in and for the City and County of San Francisco the name of the corporation was changed to Parr-Richmond Terminal Corporation.

Parr-Richmond Terminal Corporation is engaged in the business of a warehouseman and wharfinger and in the buying, selling and leasing of industrial lands in and about the City of Richmond. The company has secured a lease from the City of Richmond for a period of fifty years of certain city lands known as the outer and inner harbor of the City of Richmond, together

with that certain wharf and warehouse known as "Municipal Wharf No. 1." A copy of the lease is filed in Application No. 14562 as Exhibit "C".

Applicant asks permission to issue and sell at ninety-one (91) percent of their face value and accrued interest \$400,000.00 of six and one half percent fifteen year first mortgage bonds due June 1, 1943, and use the proceeds for the following purposes:

To construct and equip the warehouse and wharf . . .	\$250,000.00
To purchase certain real property from Richmond Belt Railway Company. . . . .	3,204.35
To pay outstanding and existing indebtedness to American Trust Company. . . . .	39,750.00
To pay outstanding and existing indebtedness to Rozella R. B. Gilmore . . . . .	23,241.00
To pay outstanding and existing indebtedness to Mechanic's Bank. . . . .	16,000.00
To impound the first year's interest requirements. . .	28,000.00
To pay existing current indebtedness and expenses of the proposed bond issue . . . . .	<u>5,804.65</u>
<u>Total</u> . . . . .	<u>\$384,000.00</u>

The wharf and warehouse which applicant proposes to construct will adjoin a wharf and warehouse to be constructed by the City of Richmond. The city's wharf and warehouse will be operated by applicant under its lease from the City of Richmond. Contracts have been entered into for the construction of the improvements.

Applicant has an option to purchase some 11.514 acres of land from the Richmond Belt Railway Company for \$3,204.35. It intends to exercise this option. It is recited in Application No. 14721 that there is now due on the purchase of approximately ninety-one (91) acres of land the sum of \$62,991.00, which it is proposed to pay off through the use of bond proceeds. Sixteen thousand dollars (\$16,000.00) of the bond proceeds are to be used to pay indebtedness due the Mechanics Bank and \$5,804.65 to pay

other current indebtedness and expenses of the bond issue. It is proposed to impound \$26,000.00 of the bond proceeds to pay one year's interest on the bond issue.

It appears that applicant receives one half of the net profits from the operations of the city's existing wharf and warehouse facilities. Such profits during 1927 are reported at \$19,234.33, while for 1928 they are estimated at \$26,293.63. These figures include no return from the new wharf and warehouse facilities.

Applicant has, through Walter S. Reis of E. B. Field and Company, submitted evidence to show that if certain contemplated improvements are installed, its real estate will have a value of \$477,804.00. He refrained, however, to express any opinion as to what <sup>is</sup> the present value of the land.

Applicant asks permission to execute a closed mortgage or trust indenture to secure the payment of the \$400,000.00 of bonds. This instrument is to contain a sinking fund provision and release clauses which are intended to provide sufficient money so that all of the bonds may be redeemed on or before maturity. Under the provision of the indenture the company reserves the option to redeem the bonds on the first day of any month prior to the date of maturity at One hundred and three (103) percent of the principal and accrued interest during the first five years after date of issuance, and thereafter at a premium of one fourth (1/4) of one percent (1%) per annum and accrued interest, during the unexpired term of the bond. We assume that the bonds will be given a general distribution. It occurs to us that in fairness to the bondholders the company should not be permitted to redeem its bonds on the first day of any calendar month. The redemption of the bonds should occur only on the dates when the semi-annual interest is due and payable.

Our analysis of the evidence indicates that if this application were granted, as prayed for, the stockholders of applicant would have invested in the enterprise approximately \$48,000.00. The balance of the cash, about \$364,000.00, necessary to construct the project would be secured from the holders of \$400,000.00 of bonds, who have no voice in the management of the properties. While the evidence indicates that the value of the properties exceeds the past and proposed cash expenditures, we do not believe that it is in the public interest to authorize a \$400,000.00 bond issue to be sold at ninety-one (91) or on an effective interest rate of seven and one half (7-1/2) percent, assuming the bonds were all to remain outstanding to maturity. But, it is not contemplated that the bonds will remain outstanding until maturity. Their earlier payment will increase the effective interest rate which may run as high as nine (9%) percent.

We believe that the stockholders of this enterprise should provide more of the necessary cash than is proposed herein and that applicant should not issue more than \$300,000.00 of six percent fifteen year bonds to be sold for not less than ninety-four (94) percent of their face value and accrued interest. Such a bond issue will provide applicant with \$282,000.00 of cash. Any additional cash that may be needed should be provided by the stockholders. To pay in part for the real properties referred to in these proceedings and provide part of the cash necessary to construct the wharf and warehouse and pay indebtedness, the order herein will authorize the issue of \$225,400.00 of stock in addition to the \$26,100.00 of stock authorized by Decision No. 19707 dated May 3, 1927.

While reference has herein been made to the company's proposed mortgage, such reference should not be construed as an

approval of any of the provisions of such instrument. Applicant will be required to submit a revised copy of its proposed mortgage or trust indenture.

FIRST SUPPLEMENTAL ORDER IN APPLICATION NO. 14562.  
ORDER IN APPLICATION NO. 14721.

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Applications having been made to the Railroad Commission for authority to issue stock and bonds as set forth in the foregoing opinion, public hearings having been held before Examiner Fankhauser, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for through the issue of \$300,000.00 of six percent bonds and \$225,400.00 of common stock, in addition to the \$26,100.00 of stock heretofore authorized by Decision No. 19707, dated May 3, 1928, is reasonably required for the purposes specified herein and that the expenditures for such purposes are not, in whole or in part, reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED as follows:-

1. Parr-Richmond Terminal Corporation may issue to its directors an additional four shares of stock at par, for cash, and use the proceeds to pay organization expenses.
2. Parr-Richmond Terminal Corporation may issue and sell on and after the effective date of this order and prior to September 1, 1928, not exceeding \$300,000.00 of first mortgage fifteen year bonds, provided that such bonds bear interest at not exceeding six percent

per annum and are sold by the corporation at not less than ninety-four (94) percent of face value plus accrued interest, and may use the proceeds to finance in part the cost of constructing the proposed new warehouse and wharf, of acquiring the land from Richmond Belt Railway Company and pay the indebtedness, all as referred to in the foregoing opinion.

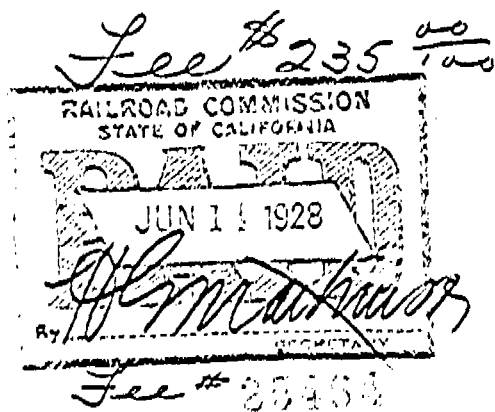
3. Parr-Richmond Terminal Corporation may issue, at not less than par, on or before September 1, 1928, \$225,000.00 of stock, in addition to the stock heretofore authorized to be issued by Decision No. 19707, dated May 3, 1928, to pay in part the cost of the real property and lease referred to in the foregoing opinion and of constructing or acquiring the properties mentioned in paragraph "2" above and of paying the present outstanding indebtedness.
4. The authority herein granted is subject to the following conditions:-

(a) Parr-Richmond Terminal Corporation shall keep such record of the issue, sale and delivery of the stock and bonds herein authorized, and of the disposition of the proceeds as will enable it to file, on or before the 25th day of each month, a verified report, as required by the Railroad Commission's General Order No. 24, which order, insofar as applicable, is made a part of this order.

(b) The authority herein granted will become effective when Parr-Richmond Terminal

Corporation has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Two Hundred and Thirty-five (\$235.00) Dollars and when the Commission has authorized said company to execute a mortgage or trust indenture to secure the payment of the \$300,000.00 of bonds.

DATED at San Francisco, California, this 13<sup>th</sup> day of June, 1928.



*C. C. Seaver*  
*Frank East*  
*Thos. E. [unclear]*  
*M. J. [unclear]*  
Commissioners.