

Decision No. 37992

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
MERCHANTS ICE AND COLD STORAGE COMPANY,
a corporation,

for an order authorizing the issue
of a note, Mortgage of Chattels
and Trust Indenture.

ORIGINAL

Application
No. 26782

BY THE COMMISSION:

O P I N I O N

In this application, Merchants Ice and Cold Storage Company asks permission to issue, for the purpose hereinafter stated, to The Anglo California National Bank of San Francisco, its 3-1/2 per cent installment note for the principal sum of \$400,000 and execute a trust indenture and mortgage of chattels to secure the payment of the note. A copy of applicant's proposed note and a copy of its proposed trust indenture and mortgage of chattels are filed in this application as Exhibits "A" and "B" respectively.

Applicant is engaged in the cold storage warehouse and ice business. As of April 30, 1945, it reports its assets and liabilities as follows:

ASSETS

Plant, property and equipment		\$1,898,684.68
Land	\$265,608.55	
Buildings, machinery & equipment	2,763,244.84	
Less reserve for depreciation	1,730,168.71	
Other investments		54,622.93
Current assets		112,678.53
Cash	\$ 43,898.09	
Accounts receivable	92,803.58	
Accrued interest on bonds	<u>2,476.86</u>	
	139,178.53	
Less reserve for doubtful accounts	26,500.00	
Deferred charges		37,810.54
Unamortized bond discount and expense	\$ 11,012.60	
Commission on sale of preferred stock	11,063.57	
Prepaid insurance	6,886.05	
Taxes applicable to future period	3,301.79	
Other deferred items	<u>5,546.53</u>	
Total assets		<u>\$2,103,796.68</u>

LIABILITIES

Capital stock		\$1,415,725.00
Preferred stock, 41,615 shares	\$416,150.00	
Common stock, 107,180 shares	999,575.00	
First mortgage 6½% serial bonds		415,500.00
Current liabilities		114,486.04
Notes payable	\$ 20,000.00	
Accounts payable	10,948.42	
Accrued payroll taxes	6,097.29	
Accrued bond interest	2,689.37	
Accrued other interest	371.51	
Preferred stock purchase	750.00	
Federal income taxes	<u>73,629.45</u>	
Rent received in advance		1,798.47
Reserve for contingencies		15,000.00
Surplus		<u>141,287.17</u>
Total liabilities		<u>\$2,103,796.68</u>

For the year 1944, applicant reports operating revenues and other income of \$1,018,897.38. Of this amount, \$773,473.89 represents cold storage warehouse revenue. Its net profit for the year, that is, its income for dividends and surplus, is reported at \$88,781.01.

Applicant's petition shows that as of April first it had outstanding \$496,500 of first mortgage 6-1/2 per cent serial bonds which mature on the following dates:

April 1, 1946	\$45,000
April 1, 1947	45,000
April 1, 1948	44,000
April 1, 1949	<u>362,500</u>
Total	\$496,500

Between April first and April thirtieth applicant acquired at par \$81,000 par value of said bonds. The bonds are redeemable at the option of applicant on any interest payment date (April 1 and October 1) on sixty days' notice at their par value, accrued interest and a premium of one-half of one per cent of the par value for each year or fraction thereof of their unexpired term, such premium in no event to exceed five per cent of such par value. Applicant intends to redeem its outstanding bonds on October 1, 1945. The premium which applicant must pay at that time amounts to about \$7,000.

As said, applicant asks permission to issue to The Anglo California National Bank of San Francisco its note for the principal sum of \$400,000. The principal of the note is payable in semi-annual installments of \$25,000 each, commencing six months from the date of the note and continuing for a period of eight years. The deferred payments bear interest at the rate of 3-1/2 per cent per annum, payable semi-annually. The company will use the proceeds realized through the issue of the note, together

with cash in its treasury, to redeem its outstanding 6-1/2 per cent bonds. The trust indenture and mortgage of chattels which applicant will execute will be a first lien on all of its property and will secure the payment of said \$400,000 note, as well as the payment of all renewals or extensions of said promissory note and all sums of money, with interest thereon at the same rate provided in said promissory note, which may be paid out or advanced by or otherwise be due the bank under any of the provisions of the trust indenture and mortgage of chattels.

O R D E R

The Commission has considered applicant's request and is of the opinion that this is not a matter on which a hearing is necessary; that the money, property or labor to be procured or paid for by the issue of the note herein authorized is reasonably required by Merchants Ice and Cold Storage Company for the purpose herein stated, that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted subject to the provisions of this order, therefore,

IT IS HEREBY ORDERED as follows:

1. Merchants Ice and Cold Storage Company may, on or before November 1, 1945, issue to The Anglo California National Bank of San Francisco its promissory 3-1/2 per cent installment note for the principal sum of not exceeding \$400,000, said note to be in, or substantially in, the same form as the note on file in this application as Exhibit "A".

2. For the purpose of securing the payment of said note, Merchants Ice and Cold Storage Company may, on or before November 1, 1945, execute a trust indenture and mortgage of chattels in, or substantially in, the same form as the trust indenture and mortgage of chattels on file in this application as Exhibit "B".

3. Merchants Ice and Cold Storage Company shall use the proceeds realized through the issue of said \$400,000 note to pay in part its outstanding first mortgage 6-1/2 per cent serial bonds.

4. Within thirty days after the issue of said note, Merchants Ice and Cold Storage Company shall file with the Railroad Commission a true and complete copy of the note and a true and complete copy of the trust indenture and mortgage of chattels executed under the authority herein granted, together with a statement showing the purpose for which it expended the proceeds realized through the issue of said note.

5. The authority herein granted is effective upon the date hereof.

Dated at San Francisco, California, this 19th day of June, 1945.

Richard B. Anderson
Justice F. C. ...
Richard ...
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Commissioners