

Decision No. 39165

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)

of)

HOWARD TERMINAL, a corporation)

for an order authorizing the)
borrowing of money and the)
mortgaging and pledging of)
property as security.)
-----)

ORIGINAL

Application
No. 27597

O P I N I O N

In this application, the Railroad Commission is asked to make an order authorizing Howard Terminal to execute a deed of trust, a general pledge agreement, an assignment of leasehold interests and a mortgage of chattels, and to issue a note in the principal amount of \$381,000 for the purpose of obtaining funds to pay outstanding indebtedness and to finance the cost of additions and betterments.

Howard Terminal is a corporation engaged, among other things, in the public utility warehouse and wharfinger business in the City of Oakland. Its properties consist of certain piers, docks, warehouses, storage yards, machine shop and other buildings, equipment and appurtenances. It also has certain agreements and leasehold interests including, specifically, an agreement dated August 4, 1941, with the City of Oakland, a lease and agreement dated August 1, 1940, with Standard Oil Company of California, and a lease, dated June 1, 1941, with Kieckhefer Container Company. In addition it owns all the outstanding stock of Howard Terminal Railway, a corporation owning a line of

railway serving the industries located on the property of Howard Terminal.

Applicant's revenues and expenses for the last three calendar years have been reported as follows:

	<u>1943</u>	<u>1944</u>	<u>1945</u>
Operating revenues:			
Warehousing	\$208,501.38	\$286,667.56	\$243,731.61
Wharfinger	<u>590,627.36</u>	<u>559,553.18</u>	<u>526,539.02</u>
Total operating revenues	799,128.74	846,220.74	770,270.63
Operating expenses	<u>731,747.00</u>	<u>769,959.63</u>	<u>757,015.04</u>
Net operating revenues	<u>67,381.74</u>	<u>76,261.11</u>	<u>13,255.59</u>
Non-operating revenues	134,508.80	201,457.36	199,524.77
Non-operating expenses	<u>74,577.28</u>	<u>139,286.87</u>	<u>158,631.73</u>
Net non-operating revenues	<u>59,931.52</u>	<u>62,170.49</u>	<u>40,893.04</u>
Gross corporate income	<u>127,313.26</u>	<u>138,431.60</u>	<u>54,148.63</u>
Deduct:			
Interest	15,766.34	12,345.50	10,558.18
Federal taxes	<u>66,049.22</u>	<u>77,246.67</u>	<u>16,341.86</u>
Total	<u>81,815.56</u>	<u>89,592.17</u>	<u>26,900.04</u>
Net profit for year	<u>\$ 45,497.70</u>	<u>\$ 48,839.43</u>	<u>\$ 27,248.59</u>

The company reports its investment in fixed assets, less reserves for depreciation, at \$726,957.16, in securities and other assets at \$141,000 and in net current items at \$45,017.90, the three items aggregating \$912,975.06. Its balance sheet of March 31, 1946, indicates that it has financed its properties and assets through the issue of \$250,000 of stock and \$217,000 of long-term notes, and the investment of surplus of \$445,975.06. The outstanding notes consisted of the following:

Note dated April 1, 1939, due March 12, 1949, with interest at 5% per annum in favor of Central Bank - authorized to be issued by Decision No. 31825, dated March 13, 1939 -	\$130,000.00
Note dated Sept. 15, 1941, due April 12, 1949, with interest at 5% per annum in favor of Central Bank - authorized to be issued by Decision No. 34599, dated Sept. 23, 1941 -	<u>87,000.00</u>
Total	<u>\$217,000.00</u>

Since March 31, 1946, the second note in the above tabulation has been reduced by the sum of \$1,000, leaving \$216,000 of long-term indebtedness outstanding.

The company now proposes to refinance its long-term debt and to obtain additional funds for construction costs as follows:

Construction of building unit No. 4	\$ 50,000.00
Construction of second story on dock office building	25,000.00
Gantry crane on unit No. 5-A	<u>90,000.00</u>
Total	<u>\$165,000.00</u>

The additional facilities are reported necessary for the performance of applicant's utility wharfing business.

The application shows that the company has made arrangements to borrow the sum of \$381,000 from the Central Bank to pay the outstanding long-term debt of \$216,000 and to finance the estimated costs of \$165,000. The amount thus borrowed will be represented by a note payable in monthly installments of \$3,000 commencing June 12, 1947, with final payment to be made on June 12, 1956, and with interest at the rate of .4% per annum. The payment of the note will be secured by the execution of the following instruments:

1. Deed of trust (Exhibit "C" attached to the application) covering all of applicant's real property and the improvements and fixtures thereon.
2. General pledge agreement (Exhibit "D" attached to the application) including therein the transfer and pledge of the capital stock of Howard Terminal Railway.
3. Assignment (Exhibit "E" attached to the application) of applicant's interest in certain leases and in the agreement with the City of Oakland.
4. Mortgage of chattels (Exhibit "F" attached to the application) covering machinery, tools and equipment.

O R D E R

Howard Terminal having applied to the Railroad Commission for an order authorizing the execution of certain instruments and the issue of a \$381,000 note, and the Commission having considered the matter and being of the opinion that this is not a matter on which a hearing is necessary; that the requests of applicant should be granted, as herein provided, and that the money, property or labor to be procured or paid for through the issue of said note 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, therefore,

IT IS HEREBY ORDERED as follows:

1. Howard Terminal, after the effective date hereof and on or before September 30, 1946, may execute a deed of trust, a general pledge agreement, an assignment and a mortgage of chattels in, or substantially in, the same form as those filed in this proceeding as Exhibits "C", "D", "E" and "F", respectively, and may issue a promissory note in the principal amount of \$381,000, payable as indicated in the preceding opinion, for the purpose of obtaining funds to pay the presently outstanding notes of \$216,000 and to finance the cost of the additions and betterments referred to in said opinion.

2. Howard Terminal shall file with the Commission a report, or reports, of the issue of said note 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.

3. The authority herein granted will become effective when Howard Terminal has paid the fee prescribed by Section 57 of the Public Utilities Act.

Dated at Los Angeles, California, this 25th day of June, 1946.

Harold Anderson
Justin F. Craven
Frank D. Davis
James H. Fox
Harold P. Kels
 Commissioners

