

ORIGINAL

Decision No. 45284

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)

ISLAND ELEVATORS, INC.)
a corporation,)

RIVERSIDE ELEVATORS,)
a corporation,)

C. VANDEN BOSCH, C. A.)
LOUCKS and MELVILLE MARX,)
Co-Partners,)

Application
No. 31955
(and Amendment)

For Authority to Issue and Purchase)
Stock and to Sell and Buy Public)
Utility Properties.)
-----)

Scott Elder, for applicants.

O P I N I O N

This is an application for an order of the Commission authorizing C. Vanden Bosch, C. A. Loucks and Melville Marx, hereinafter referred to as Sellers, to sell certain warehouse properties to Island Elevators, Inc., hereinafter referred to as Buyer, and authorizing Buyer to execute an evidence of indebtedness in the aggregate amount of \$225,000 in acquiring said properties and to issue 250 shares of capital stock at \$20 a share to provide working capital.

The application also includes a request by Riverside Elevators, a corporation, hereinafter referred to as Riverside, for an order authorizing it to acquire and hold the shares of stock of Island Elevators, Inc.

A public hearing was held on this matter in San Francisco on December 18, 1950, after notice thereof had been given. The Commission has received no protest to the granting of the application.

Since the date of the hearing the Commission has been advised that Island Elevators, Inc. has taken steps to change its name to Island Elevators.

It is reported in this proceeding that Sellers are co-partners engaged in operating public utility warehouse facilities at Ryer Island, Solano County, for the processing and bulk storage of grain and other agricultural commodities. In financial reports filed with the Commission, the revenues from the operation of such facilities have been reported at \$88,778.34 for the year ended May 31, 1950, with net income of \$3,022.70, and at \$24,562.37 for the period from June 1, 1950, to August 31, 1950, with net income of \$6,930.25.

In Exhibit 5, filed in this proceeding, the partnership reports its assets and liabilities as of August 31, 1950, as follows:

Assets

Current assets -			
Cash		\$ 1,573.74	
Accounts receivable		21,756.49	
Sacks and twine		<u>2,193.04</u>	
Total current assets			\$ 25,523.27
Fixed assets -			
Land		731.88	
Buildings-elevator	\$90,000.00		
Machinery and equipment	80,000.00		
C.C.C. warehouse	<u>54,547.67</u>	<u>224,547.67</u>	
Total fixed assets			225,279.55
Deferred charges -			
Prepaid insurance, etc.			<u>15,339.01</u>
	Total		<u>\$266,141.83</u>

Liabilities and Capital

Current liabilities -			
Accounts payable		\$ 8,925.22	
Reserve for provisional insurance		929.47	
U. S. revenue		501.10	
Payroll taxes		<u>288.83</u>	
Total current liabilities			\$ 10,644.62
Bank of Alex Brown			15,000.00
Other liabilities -			
Growers' loans			45,279.55
Melville Marx		11,488.89	
C. A. Loucks		<u>11,488.89</u>	22,977.78
Capital			<u>172,239.88</u>
	Total		<u>\$266,141.83</u>

The application shows that two of the partners, namely, C. Vanden Bosch and C. A. Loucks, desire to withdraw from the partnership and that the remaining partner, Melville Marx, who is a stockholder of Riverside, proposes to relinquish his ownership and management of the properties to Riverside through the medium of its wholly-owned subsidiary, namely, Island Elevators, which has been organized for the express purpose of receiving the properties and thereafter of continuing the operation. Accordingly, the three partners propose to enter into an agreement to transfer their properties to Buyer for the sum of \$225,000. The properties include approximately 1-3/4 acres of land and four warehouse structures having an aggregate storage capacity of 20,000 tons, together with machinery and equipment.

A copy of the proposed agreement was filed as Exhibit 4 with the original application. Thereafter, certain amendments to the agreement were filed as Exhibit 1 with the amendment to the application which was received by the Commission on January 13, 1951. The agreement, as amended, provides in part as follows:

Said purchase price, and the balance thereof from time to time remaining unpaid, shall bear interest at the rate of 3% per annum, and shall be paid as follows:

On or before July 15, 1951, Buyer shall pay an installment of principal in the sum of \$18,000.00.

The balance of said purchase price shall be payable out of Buyer's net income as follows:

On or before January 15, 1952, an installment of principal in the sum of \$9,000.00;

On or before July 15, 1952, an installment of principal in the sum of \$9,000.00;

On or before January 15 and July 15 of each year thereafter until the entire balance of said purchase price is paid, installments of principal each in the sum of \$9,000.00.

The agreement, as amended, further provides that if Buyer's net income in any fiscal year shall exceed the amount of the principal installments for such fiscal year, Buyer shall pay to Sellers in

addition, on or before January 1st next following the close of such fiscal year, 75% of the amount of such excess to be applied first to the payment of interest accrued at the date of such payment on the unpaid principal balance of the purchase price, and then to the principal of the purchase price, provided, however, that if the net income in any preceding fiscal year shall have been insufficient to pay in full the installments of principal as provided, said portion of such excess shall be applied first to the payment of such deficiencies in installments of principal. Interest accrued and unpaid in excess of \$20,000.00 shall bear interest at the rate of 3% per annum.

In addition, Buyer will assume the payment of outstanding growers' loans in the aggregate amount of \$45,279.55, as shown on the preceding balance sheet, which represent amounts advanced by growers for construction purposes. They are noninterest-bearing and have no maturity date. The other items of indebtedness will be paid by Sellers.

Riverside, also an applicant in this proceeding, is engaged in business, similar to that now conducted by Sellers, near Isleton, in Sacramento County, approximately 12 miles distant.⁽¹⁾ In support of the present application it is urged that the two businesses can be coordinated under joint supervision, certain expenses eliminated, and economies, estimated at from \$6,000 to \$10,000 a year, put into effect as a result of the proposed transaction.

The Commission has reviewed this matter and is of the opinion that the proposed sale will not be adverse to the public interest. Accordingly, an order will be entered.

(1)

Riverside reports revenues of \$153,202.61 with net income of \$10,200.41 for the twelve months ended May 31, 1950, and revenues of \$50,964.30 with net income of \$15,775.59 for the period from June 1 to September 30, 1950.

O R D E R

A public hearing having been held in the above entitled matter, and the Commission having considered the evidence submitted at such hearing and being of the opinion that the application should be granted, as herein provided; that the money, property or labor to be procured or paid for through the execution of the agreement referred to herein, as amended, and the issue of the shares of stock herein authorized is reasonably required for the purposes specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. C. Vanden Bosch, C. A. Loucks and Melville Marx, after the effective date hereof and on or before June 30, 1951, may sell to Island Elevators, formerly known as Island Elevators, Inc., their public utility warehouse properties referred to in this proceeding, such sale to be in accordance with the terms and conditions of the agreement filed as Exhibit 4 with the application, as amended in Exhibit 1 filed with the amendment to the application, which agreement, as amended, said C. Vanden Bosch, C. A. Loucks, Melville Marx and Island Elevators may execute. Upon acquiring said properties, Island Elevators may assume the payment of growers' loans in the aggregate principal amount of not exceeding \$45,279.55.

2. Island Elevators, after the effective date hereof and on or before June 30, 1951, may issue and sell 250 shares of its capital stock, at and for the price of \$20 per share, and use the proceeds to provide working capital to maintain and improve its properties and business.

3. Riverside Elevators may acquire and hereafter hold the shares of stock which Island Elevators herein is authorized to issue and sell.

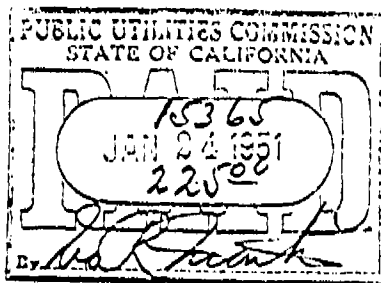
4. On not less than five (5) days' notice to the Commission and to the public, the tariffs now on file with the Commission, insofar as they name rates, rules and regulations governing warehouse operations of Sellers, shall be supplemented or reissued to show that the present owners have withdrawn and that Island Elevators 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 regulations governing the construction and filing of warehouse tariffs set forth in the Commission's General Order No. 61.

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

6. Island Elevators 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.

7. The authority herein granted will become effective when Island Elevators has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is two hundred twenty-five (\$225.00) dollars.

Dated at San Francisco, California, this 23rd day of January, 1951.



R. Z. [Signature]
Justus F. [Signature]
Harold [Signature]
James [Signature]
Commissioners