

ORIGINALDecision No. 53533

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of HOWARD TERMINAL, a corporation,
for an order authorizing the borrow-
ing of money and the mortgaging and
pledging of property as security.

Application No. 38224

OPINION

Howard Terminal, a corporation, has filed this application for authorization (1) to execute a deed of trust, (2) to issue a note in the principal amount of \$287,000 for the purpose of refunding existing indebtedness and of providing additional working capital, and (3) to issue notes in the aggregate principal amount of \$194,348 for the purpose of paying insurance premiums.

Applicant is engaged as a public utility in the warehouse and wharfinger business in Oakland and in non-utility draying activities. Its annual reports filed with the Commission for the last five years show that its total revenues from all sources have increased year by year from a total of \$1,606,663 in 1951 to \$2,904,782 in 1955. During this five-year period, the company paid annual dividends on its outstanding \$250,000 of stock at rates ranging from 3.5% to 6.5% and increased its surplus from \$493,239 to \$575,887. A condensed balance sheet indicating applicant's financial position as of December 31, 1955 is as follows:

Assets

Current assets		
Cash	\$ 44,732	
Accounts receivable	310,964	
Materials and supplies	<u>10,222</u>	
Total current assets		\$ 365,919
Fixed assets, less reserves		757,546
Other investments		101,790
Deferred debits		<u>72,596</u>
 Total		 <u>\$ 1,297,851</u>

Liabilities and Capital

Current liabilities	\$ 255,474
Notes payable	216,490
Capital stock	250,000
Surplus	<u>575,887</u>
 Total	 <u>\$ 1,297,851</u>

It appears that applicant is indebted to First Western Bank and Trust Company on 4% installment notes, due June 12, 1956, in the total amount of \$187,000. It now desires to liquidate the notes and to increase its loan to \$287,000 in order to provide additional treasury funds for working capital and for the acquisition of property. The amount to be thus borrowed will be represented by a note payable in monthly installments over a period of ten years with interest at the rate of 4 $\frac{1}{2}$ % per annum. The payment of the note will be secured by a deed of trust.

In addition, applicant seeks approval of loans for the purpose of providing insurance on the lives of three of its executives. It reports that in 1954 it purchased life insurance policies on the lives of the three individuals for the purpose of indemnifying itself for the loss of key employees. Under the arrangements which were made, premiums will be paid in ten annual installments

with company funds or with funds to be borrowed from First Western Bank and Trust Company and to be represented by 3½% notes, payable on or before ten years after the date of issue. The application shows, however, that the bank borrowings for this purpose will not exceed the cash surrender value of the life insurance policies. At the conclusion of the ten-year period the aggregate loans would amount to \$194,348, the cash value of the policies to \$214,000 and the paid up insurance to \$344,943. The cash values, of course, will be set up on applicant's balance sheet as investments.

From a review of the application, it appears that applicant will have need for the \$287,000 borrowing for the purposes stated and that the bank loans of \$194,348 to pay insurance premiums will not interfere with applicant's credit or its cash position under the arrangements which have been made. Accordingly, we will enter an order granting the application.

O R D E R

The Commission having considered the above-entitled matter and being of the opinion that a public hearing is not necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for by the issue of the notes herein authorized is reasonably required by applicant for the purposes specified herein, and that such purposes, except as otherwise authorized, 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, a corporation, may execute a deed of trust and may issue a note in the principal amount not exceeding \$287,000, in substantially the same form as the deed of trust and note as filed in this proceeding as Exhibit "B", for the purpose of refunding indebtedness payable to the First Western Bank and Trust Company and providing additional working capital for the acquisition of property and for the maintenance and improvements of its service and facilities.

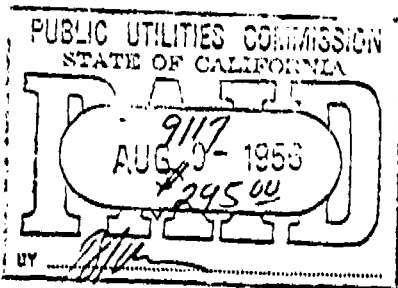
2. Howard Terminal may issue notes in the aggregate principal amount of not exceeding \$194,348 for the purpose of paying premiums on insurance policies in accordance with the plan set forth in this application, such notes not to exceed in the aggregate the cash surrender value of the insurance policies.

3. Applicant 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.

4. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$295.

Dated at San Francisco, California, this 7th day of August, 1956.

[Signature]
President
[Signature]
[Signature]
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Commissioners