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Decision No. 59050

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
LOS ANGELES HARBOR GRAIN TERMINAL, )  
a corporation, for an order )  
authorizing it to sell and issue )  
shares of its capital stock and )  
to borrow money and execute a loan )  
agreement, note and chattel )  
mortgage in connection therewith. )

Application No. 41399  
(First Amendment)

O P I N I O N

Los Angeles Harbor Grain Terminal, applicant herein, is a corporation organized under the laws of California on or about October 10, 1958, for the purpose of engaging in warehouse operations in Wilmington. At this time, it proposes, and herein seeks authorization, to execute a chattel mortgage, to issue a note in the principal amount of \$55,000 and to issue 34,000 shares of common stock of the par value of \$10 each and of the aggregate par value of \$340,000.

Applicant reports that its proposed operations will be those of a warehouseman, as defined in Section 239 (a) of the Public Utilities Code, and will consist of the storage of wheat and other cereals or grains and products thereof in connection with or to facilitate the loading or unloading and the transportation of such commodities by common carriers or vessels.

In order to place itself in the position to enter into its operations, applicant proposes to acquire from Mortimer, Rycraft and Wallace, Inc., certain tangible assets and lease-hold interests, under a lease from the Los Angeles Board of Harbor Commissioners, at

an agreed price of \$190,000 and to issue to Mortimer, Rycraft and Wallace, Inc., 19,000 shares of its common stock of an aggregate par value of \$190,000.

The assets to be acquired by applicant corporation heretofore have not been used in public utility operations but, for many years, have been employed for the storage of copra and other similar products pending their use in the former owner's oil-processing operations. Upon acquiring the properties, applicant corporation proposes to alter, renovate, remodel and adapt them so that they will be suitable for the loading and unloading of grain and other similar products. It is reported that the cost of such improvements will amount to \$55,000, and that applicant corporation has arranged to obtain this sum from Bank of America National Trust and Savings Association under the terms of a loan agreement, filed in this proceeding as Exhibit F, which provides for the issue of a note payable in quarterly installments of \$2,750, plus interest at the rate of 6% per annum and for security in the form of a chattel mortgage. In addition to these company-financed improvements, the city has indicated it will construct, at its own expense, a \$175,000 conveyor facility to serve the property.

A pro forma statement showing applicant corporation's assets and liabilities upon completion of its initial stock issue and its proposed debt financing is as follows:

Assets

Cash		\$ 55,000
Fixed assets -		
Land lease (20 years)	\$ 50	
Buildings	43,000	
Equipment and machinery	72,990	
Bins and foundations	113,500	
Paving	2,700	
Rail siding	<u>7,500</u>	
Total fixed assets		239,740
Other assets -		
Prepaid organization expenses		<u>5,000</u>
Total assets		<u>\$299,740</u>

Liabilities and Capital

Current liabilities -		
Notes payable	\$ 55,000	
Accounts payable	49,740	
Legal and organizational	<u>5,000</u>	
Total current liabilities		\$109,740
Capital stock -		
Common - 40,000 shares authorized		
at \$10 par value - 19,000 shares		
issued		<u>190,000</u>
Total liabilities and capital		<u>\$299,740</u>

In addition to the loan negotiated with Bank of America National Trust and Savings Association, applicant corporation desires to raise additional capital through the sale of 15,000 shares of its common stock, at par, for cash, in order to provide working capital and to finance the cost of additional improvements as follows:

Install a railroad track hopper for bottom dump cars and expand track facilities	\$ 14,000
Install automatic weigh scales	15,000
Mechanize bin bottoms	30,000
Enlarge car unloading facilities	9,000
Install a tilting platform truck dumper	45,000
Install a grain aeration system	<u>11,000</u>
Total cost for proposed improvements	\$124,000
Additional working capital	<u>26,000</u>
Total	<u>\$150,000</u>

In Exhibit H, applicant corporation estimates that it will handle 50,000 tons a year at \$1.40, resulting in estimated revenues of \$70,000. It estimates its annual profits at \$22,920.00 and its payments on principal and interest on its loan at \$14,052.50, leaving a balance of \$8,867.50.

Upon a review of the verified application, we are of the opinion, and so find, that the stock and note which applicant corporation proposes to issue are for legal and proper purposes; that the money, property or labor to be procured or paid for through the issue of such stock and note 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. An order will be entered 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, therefore,

IT IS HEREBY ORDERED as follows:

1. Los Angeles Harbor Grain Terminal, a corporation, on and after the effective date hereof and on or before June 30, 1960, may execute a chattel mortgage and a loan agreement with Bank of America National Trust and Savings Association in substantially the same form as set forth in Exhibit I, attached to the first amendment to the application; may issue its promissory note in the principal amount of not to exceed \$55,000 in accordance with the terms of said loan agreement; and may issue shares of common stock of the aggregate par value of not to exceed \$340,000 for the purposes set forth in this application.

2. Los Angeles Harbor Grain Terminal 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.

3. The authority herein granted will become effective when Los Angeles Harbor Grain Terminal has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$55.

Dated at San Francisco, California, this 29th day of September, 1959.

Ernest W. Page  
President  
W. H. Fox  
W. H. Fox  
W. H. Fox  
Commissioners

