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ORIGINAL

Decision No. \_\_\_\_\_

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of COLUSA BEAN GROWERS, INC., )  
 a California Corporation, for Permission )  
 to Issue Stock. )

Application No. 59940  
 (Filed September 16, 1980)  
 (Amended October 22, 1980)

O P I N I O N

Colusa Bean Growers, Inc. (Colusa) requests authority, pursuant to Sections 816 through 829 and 851 of the Public Utilities Code, (a) to issue and sell 25,000 shares of Common Stock, No Par value, in exchange for cancellation of \$25,000 of indebtedness; (b) to issue promissory notes not to exceed \$521,948.28 aggregate principal amount; and (c) to encumber its property.

Notice of the filing of the application and the amendment appeared on the Commission's Daily Calendars of October 8, 1980, and October 24, 1980, respectively.

Colusa is a California corporation certificated to operate as a public utility warehouseman under the jurisdiction of this Commission. Colusa was granted a certificate of public convenience and necessity by Decision No. 92220, dated September 3, 1980, in Application No. 59802. Colusa's Articles of Incorporation authorizing it to issue 100,000 shares of common stock were filed with the Commission in Application No. 59802. No stock has been issued by the corporation to date.

Colusa is authorized to operate a bean storage and processing facility in Colusa County in a warehouse having 15,000 square feet of storage space and 7,500 square feet of bean-milling space. No revenues have been earned to date as the utility is in the initial stage of beginning operations with the harvest of the 1980 bean crop.

The amended application indicates that Colusa inadvertently assumed a \$521,949.28 long-term debt obligation of L. A. Otterson to the Federal Land Bank and Wells Fargo Bank without Commission authority. The authority to assume such an obligation is required by Sections 825 and 851 of the Public Utilities Code. L. A. Otterson, developer, lender, and secured party, had previously established a line-of-credit with the banks for the purpose of purchasing machinery and equipment to be used in applicant's bean storage and milling warehouse. The purchase price of the machinery and equipment was \$506,745.90 and finance charges of \$15,202.38 were added bringing the total to \$521,948.28. Any agreement between L. A. Otterson and Colusa involving the assumption of the liability and encumbrance of the property would be null and void under Sections 825 and 851 of the Public Utilities Code.

In the amended application, Colusa requests authority to enter into the Loan and Security Agreement (Agreement), dated October 15, 1980, shown as Exhibit C attached to the application, with L. A. Otterson to assume the long-term debt obligations covering the purchase of machinery and equipment in the aggregate principal amount not to exceed \$521,948.28.

Terms of the Agreement call for a 5 percent per year interest rate on the declining balance with payments estimated to be \$26,097.41 or more beginning on May 1, 1981, and each year thereafter. Additional terms may be found in the Agreement which in effect encumbers Colusa's property as security for the loan. A copy of the Agreement is attached to the application as amended.

Colusa also proposes to issue 25,000 shares of Common Stock, No Par value, in exchange for cancellation of \$25,000 indebtedness incurred for cash heretofore advanced to applicant by way of loans from the proposed stockholders as set forth in detail in Exhibit E attached to the application. The cash received has been used by applicant in organization of its business and preparation for

beginning operations. The reason for issuance of the stock and cancellation of the indebtedness is to provide a permanent equity for the corporation. No written evidence of the obligations set forth in Exhibit E has been issued. No interest, discount, or premium is proposed in this issuance. The stock would be issued to the following shareholders:

	<u>Number of Shares</u>	<u>Value of Stock</u>
Robert B. Carter	5,000	\$ 5,000
Bhupindar Dhillon	2,500	2,500
Clinton F. De Witt	2,500	2,500
Roy Moresco	5,000	5,000
William P. Wallace	2,500	2,500
Robert L. Wallace	2,500	2,500
Kenneth Stegall	1,000	1,000
Ralph J. Stegall	1,000	1,000
Charles J. Stegall	1,000	1,000
Alfred Stegall	1,000	1,000
Earl Stegall	1,000	1,000
Total	<u>25,000</u>	<u>\$25,000</u>

The staff of the Revenue Requirements Division and the Transportation Division have reviewed the amended application and conclude the proposed transactions are reasonable and should be granted.

Findings of Fact

1. Colusa is a California corporation organized to operate as a public utility warehouseman under the jurisdiction of this Commission.

2. Colusa, without Commission approval as required by Sections 825 and 851 of the Public Utilities Code, assumed a long-term indebtedness of \$521,948.28 and encumbered its property, acts which are now considered null and void.

3. The proposed requests: To issue evidence of indebtedness; to encumber its property; and to issue common stock are for proper purposes.

4. There is no known opposition and no reason to delay granting the authority requested.

5. The money, property or labor procured and paid for with borrowed funds through the assumption of long-term debt evidenced by a Loan and Security Agreement and the issuance of common stock herein authorized was required for the purposes specified herein, which purpose was not, in whole or in part, reasonably chargeable to operating expenses or income.

Conclusions of Law

1. A public hearing is not necessary.
2. The application should be granted to the extent set forth in the order which follows.

The authorization granted herein is for the purpose of this proceeding only and is not to be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. On or after the effective date of this order, Colusa Bean Growers, Inc. may enter into the proposed Loan and Security Agreement with L. A. Otterson to assume his long-term indebtedness, to the Federal Land Bank and Wells Fargo Bank, in the aggregate principal amount not to exceed \$521,948.28. This document shall bear the same or similar terms as that dated October 15, 1980, attached to the amended application as Exhibit C.

2. Colusa Bean Growers, Inc., on or after the effective date hereof and on or before June 30, 1981, may issue and distribute not to exceed 25,000 shares of its no par value common stock in exchange for cancellation of \$25,000 of indebtedness for cash advanced by the proposed stockholders shown in Exhibit E attached to the amended application.

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3. Within thirty days after execution of the Loan and Security Agreement and the Financing Statement, Colusa Bean Growers, Inc. shall file one copy of the loan agreement and statement with the Commission.

4. Colusa Bean Growers, Inc. shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order insofar as applicable, is hereby made a part of this order.

5. The authority granted herein shall become effective upon the date Colusa Bean Growers, Inc. pays the fee prescribed in Sections Nos. 1904(b) and 1904.1 of the Public Utilities Code, which fee is \$1,094.

Dated NOV 18 1980, at San Francisco, California.

John E. Byrne President  
Vernon L. Steyer  
Richard D. Harrell  
Clair T. DeLuca  
Samuel W. James Commissioners

