

Decision No. 13791.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
PICKWICK STAGES, NORTHERN DIVISION,
a corporation, for an order permitting
it to issue \$100,000.00 of equipment
trust certificates.

Application Number 10184

ORIGINAL

Warren E. Libby, for Applicant.

BY THE COMMISSION:

OPINION

In this application, Pickwick Stages, Northern Division, asks the Commission to make an order authorizing the issue and sale of \$100,000.00 of equipment trust certificates, under the terms of an equipment trust agreement and lease agreement referred to herein, for the purpose of financing the cost of additional equipment.

The application shows that the company proposes to acquire certain equipment, described as follows:-

8 Pay-as-you-enter 28-passenger Pierce Arrow automobile stages
5 Inter-city type 28-passenger Pierce Arrow automobile stages
6 Parlor car type with individual seats, 18-passenger Pierce
Arrow automobile stages.

It reports that this equipment will cost about \$200,000. It intends to pay for the same through the issue of an equal amount of stock and equipment trust certificates. The certificates bear interest at the rate of seven percent. per annum, will be dated July 15, 1924 and will mature in equal annual installments of \$20,000.00 on the 15th day of January, commencing with January, 1926. Applicant asks permission to sell the certificates at 95 percent. of face

value.

It is proposed to issue the certificates under agreements similar in form to those the Commission authorized the company to execute by Decision Number 12824, dated November 14, 1923 in Application Number 9442, the agreements it is proposed to execute to be changed only in respect to amount of certificates to be issued, dates and the description of the equipment. Under the terms of such agreements the equipment hereinabove referred to will be transferred to a trustee to secure the payment of the \$100,000. of equipment trust certificates. The trustee, upon receipt thereof, will lease the equipment to applicant at a rental sufficient to pay the interest and the annual payments on account of the principal. In addition, the company will be called upon to pay all taxes and insurance on the equipment, to maintain it in good operating condition and, in addition, to pay the difference between the cost of the equipment and the amount received from the sale of the certificates. Upon the payment in full of the principal of the certificates, title to the equipment will pass to applicant. The request to issue stock is made in Application Number 10185, which was filed concurrently with this application.

The Commission heretofore on two occasions has authorized applicant to assume the obligations under equipment trust agreements. By Decision Number 8934, dated May 6, 1921, as amended, the Commission authorized the issue of \$30,000.00 of eight percent. serial equipment trust certificates payable in equal annual installments of \$6,000. during the years, 1922 to 1926 inclusive. Subsequently, by Decision Number 12824, dated November 14, 1923, it authorized the issue of \$50,000.00 of seven percent. serial certificates payable in equal annual installments of \$10,000.00 during the years 1924 to 1928 inclusive. As of April 30, 1924, \$68,000.00 of certificates were reported outstanding, consisting of \$18,000.00 of eight percent. certificates and \$50,000.00 of seven percent. certificates.

For the years ending December 31st the company reports its revenues and expenses as follows:-

<u>ITEM</u>	<u>1922</u>	<u>1923</u>
Transportation revenue . . .	\$582,643.16	\$739,550.62
Transportation expenses . .	518,075.71	692,901.81
Net operating revenue . .	64,567.45	46,648.81
Nonoperating income . . .	2,419.56	6,379.58
Net income	66,987.01	53,028.39
<u>DEDUCT:</u>		
Interest	6,002.99	4,822.33
Federal income taxes . . .	1,831.26	6,687.80
Amortized debt discount and expense	959.70	-
Total deductions . . .	8,793.95	11,510.13
Profit for year	58,193.06	41,518.26
Dividends	-	38,400.00
Surplus	\$58,193.06	\$ 3,118.26

For the four months ending April 30, 1924, the company reports gross revenues of \$221,369.91 and operating and other expenses of \$216,129.63, leaving net income for the period of \$5,240.28.

ORDER

Pickwick Stages, Northern Division, having applied to the Railroad Commission for an order authorizing the execution of an equipment trust agreement and lease agreement and the issue of equipment trust certificates, and the Railroad Commission being of the opinion that this is a matter in which a public hearing is not necessary and that the application should be granted, as herein provided, and that the money, property or labor to be procured or paid for through the issue of the certificates is reasonably required by applicant for the purpose specified herein;

IT IS HEREBY ORDERED that Pickwick Stages, Northern Division, a corporation, be, and it is hereby, authorized to execute and enter into an equipment trust agreement and a lease agreement substantially

in the same form as those filed with the Commission in Application Number 9442, and to assume or guarantee the payment of not exceeding \$100,000.00 of seven percent. serial equipment trust certificates, the issue of which is hereby authorized.

The authority herein granted is subject to further conditions as follows:-

1. The authority herein granted to execute an equipment trust agreement and lease agreement is for the purpose of this proceeding only and is granted only in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of such equipment trust agreement and lease agreement as to such other legal requirements to which said equipment trust agreement and lease agreement may be subject.
2. Within thirty days after execution of the equipment trust agreement and lease agreement applicant shall file with the Commission certified copies of such equipment trust agreement and lease agreement.
3. The equipment trust certificates which are herein authorized to be issued shall be sold at not less than 95 percent of face value plus accrued interest and the proceeds used to pay in part the cost of the additional equipment to which reference is made in the foregoing opinion.
4. Applicant shall keep such record of the issue and sale of the equipment trust certificates and of the disposition of the proceeds as will enable it to file on or before

the 25th day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order in so far as applicable, is made a part of this order.

5. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$100.00. Under the authority herein granted no certificates may be issued after December 31, 1924.

DATED at San Francisco, California, this 10th day of July, 1924.

C. L. Seaver
H. B. Rundick
Irving Martin

Commissioners.

