

LRA

Decision No. 15922

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of }  
KEY SYSTEM TRANSIT COMPANY, }  
a corporation, for an order of the }  
Railroad Commission of the State of }  
California authorizing the issue }  
and sale of \$2,500,000. of first }  
mortgage five and one-half percent }  
gold bonds, Series "C". }

Application No. 12428

Brobeck, Phleger & Harrison,  
by H. E. Phleger

SEAVEY, COMMISSIONER:-

O P I N I O N

In the above entitled matter Key System Transit Company asks permission to issue and sell \$2,500,000. of its Series "C", first mortgage five and one-half percent bonds due July 1, 1938.

The bonds are part of an authorized issue of \$10,000,000. secured by a first mortgage on the company's properties dated as of July 1, 1923. Heretofore the company, pursuant to orders from the Commission, has issued \$3,000,000. of first mortgage bonds; of which \$2,500,000. were Series "A" and \$500,000. were Series "B" six percent bonds due July 1, 1938. Of the \$3,000,000. of bonds issued the company reports that it has

redeemed \$6,000. leaving \$2,994,000. outstanding against its properties. In addition to these bonds the company reports outstanding \$7,585,200. of general and refunding mortgage five percent bonds and \$1,365,800. of six percent bonds due July 1, 1938, the total bonded indebtedness of the company aggregating \$11,945,000.

In making the present request to issue additional bonds the company reports that during the years 1924 and 1925 it expended \$1,000,000. for road and equipment which has not been paid or provided for through the issue of stock or bonds. It further reports work in progress and proposed for completion by December 31, 1926 at \$1,565,304., both amounts being segregated in some detail in Exhibits "1" and "2" filed at the hearing in this proceeding. It appears that the estimated expenditures of \$1,565,304. are a portion of those which the Commission, by Decision No. 15290, dated August 13, 1925 and Decision No. 15817, dated December 31, 1925, directed the company to make.

The company asks permission to use the proceeds from the sale of the \$2,500,000. of bonds to reimburse its treasury on account of the uncapitalized expenditures of \$1,000,000. made during 1924 and 1925 and to finance, in part, the estimated expenditures of \$1,565,304. The testimony shows, however, that part of the uncapitalized expenditures were financed with borrowed moneys, rather than through investment of earnings. The order herein, therefore, will permit and require the company to use bond proceeds in the amount of at least \$493,000. to pay indebtedness.

The record shows that applicant has made arrangements

to sell its bonds at not less than 94 percent of face value plus accrued interest. If the underwriter sells the bonds for more than 97-1/2 percent of their face value and accrued interest, the company will obtain the excess over said 97-1/2 percent and accrued interest.

I herewith submit the following form of order:

O R D E R

Key System Transit Company having applied to the Railroad Commission for permission to issue and sell \$2,500,000. of first mortgage bonds, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for through such issue is reasonably required for the purposes specified herein and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED that Key System Transit Company be, and it is hereby, authorized to issue and sell on or before August 1, 1926, at not less than 94 percent of face value plus accrued interest, \$2,500,000. of its Series "C" first mortgage five and one half percent bonds due July 1, 1938 and use the proceeds other than accrued interest for the following purposes:

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- a. To pay indebtedness <sup>set forth</sup> contained in  
applicant's balance sheet  
filed in this proceeding, at least - \$493,000.
- b. To pay for construction of additions  
and betterments described in  
Exhibit "2", about - - - - - \$1,565,304.
- c. To reimburse treasury about- - - - - \$291,696.

The accrued interest may be used for general corporate purposes.

The authority herein granted is subject to the  
following conditions:-

1. Applicant shall keep such record of the  
issue and sale of the bonds herein  
authorized 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 re-  
quired by the Railroad Commission's  
General Order No. 24, which order, in  
so far as applicable, is made a part  
of this order.
2. The authority herein granted shall  
become effective when applicant has  
paid the fee prescribed by Section 57  
of the Public Utilities Act, which fee  
is One Thousand Seven Hundred and Fifty  
(\$1,750.) Dollars.

The foregoing opinion and order are hereby approved  
and ordered filed as the opinion and order of the Railroad  
Commission of the State of California.

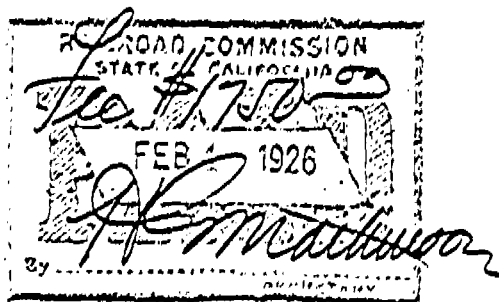
DATED at San Francisco, California, this 3d day  
of February, 1926.

H. B. Brundage

C. L. Weaver

Leon O. Whittell

Commissioners.



Fee \$ 1750  
less Credit.  
Duplicate pay.  
a. 9367 Dec 1297.50  
13291.  
Bal. \$452.50  
H. B. Brundage  
Sec.

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