

LBM

Decision No. 22529.

**ORIGINAL**

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
PACIFIC ELECTRIC RAILWAY COMPANY, )  
a corporation, for permission to )  
issue two notes in favor of Motor )  
Transit Terminal Corporation, of the )  
face amount of \$311,846.12 each, to )  
be dated January 1, 1930, one payable )  
July 1, 1931, and one payable De- )  
cember 31, 1931. )

Application No. 16577

Frank Karr, for applicant.

BY THE COMMISSION:

O P I N I O N

In this proceeding the Railroad Commission is asked to enter its order authorizing Pacific Electric Railway Company to issue two notes, each in the amount of \$311,846.12, to be dated January 1, 1930; one payable on July 1, 1931 and one payable on December 31, 1931, for the purpose of paying in part the cost of 871,284 shares of the common capital stock of Motor Transit Company.

The matter of the purchase of the stock of Motor Transit Company by Pacific Electric Railway Company was placed before the Commission in Application No. 16280, filed February 4, 1930, in which proceeding the Commission by its Decision No. 22286, dated April 3, 1930, authorized the company to acquire 871,284 shares (\$871,284.00 par value) of the stock of Motor Transit Company, being two-thirds of the issued and outstanding amount. The remaining one-third, it appears, is held or is being acquired by Pacific Grey-

hound Corporation.

At the time of the making of Application No. 16280 and of the issuing of the order, Decision No. 22286, in connection therewith, the exact amount of the purchase price was not known, as an appraisal of the properties then being made to determine the amount had not been completed. The Commission was advised that as soon as the exact sum was ascertained, applicant would apply to the Commission for authority to issue notes to finance in part the purchase price.

The present application shows that the gross sale price of the stock of Motor Transit Company has been agreed upon as \$3,337,500.00. On January 31, 1930, there was paid the sum of \$520,000.00 in cash, leaving a balance of \$2,817,500.00. After deducting the amount of mortgage obligations outstanding January 1, 1930 in the amount of \$381,961.63, there is left a net balance due of \$2,435,538.37, of which one-third, or \$811,846.12, will be paid by Pacific Greyhound Corporation and two-thirds, or \$1,623,692.24, by Pacific Electric Railway Company. Accordingly Pacific Electric Railway Company on April 23, 1930 issued its two short term promissory notes in the principal amount of \$500,000.00 each, one due July 1, 1930 and the other January 1, 1931, in part payment of its obligation. It now requests permission to issue in evidence of the balance due, two notes, each in the amount of \$311,846.12 dated January 1, 1930, one to be due July 1, 1931 and the other December 31, 1931, with interest at the rate of six percent per annum.

In our former decision we found that the acquisition of two-thirds of the stock of Motor Transit Company by Pacific Electric Railway Company was in the public interest. It therefore appears to us that in order to enable the company to complete the

transaction, we should at this time authorize it to issue two notes covered by this application. In so doing, however, we desire to state that no determination has been made of the amount which may be charged to road and equipment accounts, or other asset accounts, in the event that hereafter the properties of Motor Transit Company are transferred to Pacific Electric Railway Company or some other corporation. This matter, of course, is not now before us.

#### O R D E R

Pacific Electric Railway Company having applied to the Railroad Commission for permission to issue notes, and the Railroad Commission being of the opinion that this is not a matter in which a public hearing is necessary and that the money, property or labor to be procured or paid for through the issue of such notes is reasonably required for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED that Pacific Electric Railway Company be, and it hereby is, authorized to issue two promissory notes, each in amount of \$311,846.12, to be dated January 1, 1930, one to be payable on July 1, 1931 and the other on December 31, 1931, with interest at the rate of six percent per annum, for the purpose of paying in part the cost of acquiring 871,284 shares of the common capital stock of Motor Transit Company.

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

- (1) Applicant shall keep such record of the issue of the notes herein authorized as will enable it to file within thirty days there-

after a verified report, as required by the Railroad Commission's General Order No. 24, which order, insofar as applicable, is made a part of this order.

- (2) 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 Six Hundred and Twenty-four (\$624.00) Dollars.

DATED at San Francisco, California, this 12<sup>th</sup> day of June, 1930.

Ernest  
Leon White  
Thos. B. Lewis

Commissioners.

