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Decision No. 10906.

BEFORE THE RAILROAD COMMISSION OF
THE STATE OF CALIFORNIA.

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ORIGINAL

In the Matter of the Application of the
SAN DIEGO ELECTRIC RAILWAY COMPANY,
a corporation, for permission to pur-
chase all of the physical properties of
the POINT LOMA RAILROAD COMPANY, a cor-
poration, and to issue and sell \$100,000.
of its capital stock at par in part pay-
ment therefor; and authorizing POINT
LOMA RAILROAD COMPANY to sell said pro-
perties.

Application
Number
8109

Read G. Dilworth, for applicants.

ROWELL, Commissioner.

O P I N I O N

In this application POINT LOMA RAILROAD COMPANY, hereinafter sometimes mentioned as "Point Loma Company", asks permission to transfer all of its properties, free and clear of all liens and encumbrances, to SAN DIEGO ELECTRIC RAILWAY COMPANY for \$30,000.00, in cash and \$100,000.00 in stock. San Diego Electric Railway Company, hereinafter sometimes mentioned as "San Diego Company", asks permission to acquire such properties and to issue and deliver, as part payment, \$100,000.00 of its common capital stock.

The record shows that Point Loma Company was organized on or about July 7, 1908, with an authorized capital stock of \$250,000.00, divided into 2500 shares of the par value of \$100.00 each. Of the authorized stock, \$66,000.00 is reported outstanding, all of which, excepting directors' shares, is held by J.D. and A.B. Spreckels Securities Company. Point Loma Company owns no rolling stock and has leased its properties, consisting of 8.42 miles of sixty pound standard gauge track extending from San Diego to Ocean

Beach and from Roseville Junction to La Playa, to San Diego Company at a rental of ten cents per car mile, under the terms of an agreement approved by the Railroad Commission in Decision Number 6904, decided December 5, 1919 (Vol. 17, Opinions and Orders of the Railroad Commission of California, page 552).

It appears that the transfer of these properties will be made as of June 30, 1922. On that date Point Loma Company reported its assets and liabilities as follows:-

ASSETS

Investments:

Road and Equipment,	\$198,782.14	
Miscellaneous Physical properties,	559.20	
Total Investments,		\$199,341.34

Current Assets:

Cash	\$ 1,664.89	
Accounts receivable,	1,880.31	
Materials and Supplies,	3,298.06	
Total Current Assets,		6,843.26

Unadjusted Debits:

Discount on Funded Debt,		15,949.14
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TOTAL ASSETS, \$222,133.74

LIABILITIES

Capital Stock,	\$ 66,000.00
Funded Debt,	130,000.00

Current Liabilities:

Audited accounts and wages payable,	\$ 45.00	
Matured interest, dividends and rents unpaid,	93,600.00	
Accrued interest, dividends and rents payable,	1,950.00	
Total Current Liabilities,		95,595.00

Unadjusted Credits:

Accrued depreciation -road and equipment,	75,871.04	
Reserve for amortization of Franchises,	236.54	
Total Unadjusted Credits,		76,107.58
Corporate surplus, debit balance,		145,568.84

TOTAL LIABILITIES, \$222,133.74

The outstanding bonded indebtedness of \$130,000.00 is held by the J.D. and A.B. Spreckels Securities Company to whom

there is also owing the amount of \$93,600.00 representing matured and unpaid interest on funded debt. It is reported in the petition that the J.D. and A.B. Spreckels Securities Company, upon the receipt of \$30,000.00 in cash and \$100,000.00 in stock of San Diego Company, will cancel this unpaid interest charge of \$93,600.00 and will return to Point Loma Company for cancellation, the \$130,000.00 of bonds, so that the purchasing company will acquire the properties free and clear of all liens and encumbrances. The remaining current liabilities will be paid through the current assets.

Testimony herein shows that the agreed purchase price, \$130,000.00, is based on an estimate of the present value of the physical properties.

San Diego Company, like Point Loma Company, is also controlled through stock ownership by the J.D. and A.B. Spreckels Securities Company, who own all of its outstanding stock and bonds. As of June 30, 1922, these are shown to consist of \$1,250,000.00 of common stock and \$3,129,000.00 general first lien five per cent. forty-year sinking fund gold bonds due January 1, 1955.

The proposed transfer of properties will not result in any change of the management of the properties of Point Loma Railroad Company. The purpose of this application is to place under the same ownership properties which are now operated under lease arrangements. It is of record that San Diego Company plans to expend \$20,000.00 in the immediate future for reconstruction work on the properties it now desires to acquire. To obtain this \$20,000.00 and the \$30,000.00 cash payment involved in the pending application, San Diego Company has arranged to borrow \$50,000.00 from the J.D. and A.B. Spreckels Securities Company on open account with interest at six per cent. per annum.

I herewith submit the following form of Order:

O R D E R

Application having been made to the Railroad Commission for permission to transfer properties and to issue stock, a public hearing having been held and the Railroad Commission being of the opinion that the application should be granted as herein provided and that the money, property or labor to be procured or paid for by such issue of stock is reasonably required for the purpose specified herein;

IT IS HEREBY ORDERED, that POINT LOMA RAILROAD COMPANY be, and it is hereby, authorized to transfer all of its properties referred to in this application, to SAN DIEGO ELECTRIC RAILWAY COMPANY, free and clear of all liens and encumbrances for \$30,000.00 in cash and \$100,000.00 in stock of the SAN DIEGO ELECTRIC RAILWAY COMPANY.

IT IS HEREBY FURTHER ORDERED, that San Diego Electric Railway Company be, and it is hereby, authorized to acquire such properties and to issue to POINT LOMA RAILROAD COMPANY in part payment thereof, \$100,000.00 of its common capital stock.

The authority herein granted is subject to the following conditions:

- 1.--The price at which the properties of Point Loma Railroad Company are herein authorized to be transferred shall not hereafter be urged before this Commission, or other court or public body, as a measure of the value of the properties in fixing rates or for any purpose other than the transfer herein authorized.
- 2.--San Diego Electric Railway Company shall file with the Railroad Commission within thirty days after its execution a certified copy of the deed under which it obtains and holds title to the properties herein authorized to be transferred.
- 3.--San Diego Electric Railway Company shall keep such record of the issue and sale of the stock 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 required by the Railroad Commission's General Order No. 24, which order in so far as applicable, is made a part of this order.

4.--The authority herein granted to transfer properties and issue stock shall apply only to such transfer of properties and issue of stock as may be made on or before December 31, 1922.

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 24th day of August, 1922.

H. B. Brundage
Dwight Martin

J. B. Brundage

Commissioners.