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Decision No. ✓

ORIGINAL

Decision No. 2609

BEFORE THE RAILROAD COMMISSION OF

THE STATE OF CALIFORNIA.

In the Matter of the Application of CONSOLIDATED SECURITIES COMPANY for permission to issue 20-year six per cent. bonds in the sum of $150,000, secured by trust deed and mortgage upon property not useful or necessary to a public utility.	Application No. 1539.

W. J. Williams for applicant.

LOVELAND, Commissioner.

O P I N I O N.

This is an application of Consolidated Securities Company, operating in Los Angeles County, for authority to issue $150,000 of 20-year six per cent. bonds to retire outstanding indebtedness and to provide for additions and betterments to its property.

Applicant is engaged primarily in the real-estate business, and is only subject to the jurisdiction of this Commission by reason of the ownership of a small water system in San Fernando, Los Angeles County.

Applicant for some time past has sought to separate its public utility business from its other business, but has so far been unsuccessful in persuading the Maclay Rancho Water Company, the original owner of the property, to permit the severance of the water system.

Consolidated Securities Company states that the proceeds from the present bond issue are to be used for its general real estate business and that none of the property to be mortgaged is public utility property.

It is proposed to issue the $150,000 of bonds in the following denominations:

1001	of the	denomination	of	$25.	each.
500	" "	"	"	50.	"
333	" "	"	"	75.	"
750	" "	"	"	100.	"

The property which the company proposes to mortgage as security for these bonds consists of various small parcels of land located in Los Angeles County. An appraisement of the property, made by a committee appointed by the directors of the company and consisting of a member of the board of directors, a stockholder and an independent real estate dealer, fixed its total value at $188,955. This property is now subject to various encumbrances, generally in the form of short term notes secured by first mortgages, a number of which have matured or are about to mature. Applicant states that these encumbrances represent part of the purchase price of the property. The total amount of this indebtedness at the present time is $53,313.06, and the rates of interest thereon vary from seven to ten per cent. per annum.

It is applicant's intention to set aside $90,000 of the bonds to pay off this indebtedness, thereby reducing its average rate of interest and giving itself additional time in which to improve its properties and put them on an income basis throughout. The balance of the bonds will be used for additions and betterments to these properties.

The annual report of the company, as filed with the Commission for the year ending December 31, 1914, shows that the company has outstanding 146,299 shares of stock of the per value of $1. per share out of a total authorized issue of 500,000 shares. During the past year a five per cent. assessment was levied upon the stock. Previous to this time the company had paid dividends as follows:

DIVIDENDS

	Capital	%	Amount Dividend
No. 1, June 30 , 1912	$25,026.00	4	$1,001.04
No. 2, Sept.30, 1912	60,593.00	2	1,211.86
No. 3, Dec. 31, 1912	90,764.00	2½	2,269.21
No. 4. Mch. 31, 1913	115,589.00	2½	2,889.84
No. 5, June 30, 1913	123,593.00	2½	3,089.97
No. 6, Sept.30, 1913	139,058.00	2½	3,476.61

The company has no bonds outstanding at the present time. Its balance sheet, as of December 31, 1914, as set forth in Exhibit "A" attached to the original application herein, is as follows:

ASSETS:

Cash on hand and in banks	$ 1,472.30
Balance unpaid on subscriptions to capital stock	13,444.40
Accounts receivable	9,162.66
Notes receivable	11,650.10
Interest due and accrued	1,382.47
Stock of inter-companies	64,629.40
Miscellaneous securities	5,571.55
Real estate less encumbrances	93,608.59
San Fernando Public Utilities & acreage	187,713.85
Miscellaneous assets	652.59
T O T A L	$389,287.91

LIABILITIES:

Accounts payable		$ 12,195.96
Interest unpaid and accrued		1,231.68
Bills payable		4,310.60
McClay Rancho Water Company Contract		171,000.00
Capital & Surplus:		
Capital stock outstanding	$128,755.00	
Capital stock subscribed	25,878.00	
Premiums on capital stock sales and subscriptions	15,098.08	
Assessment #1 paid	7,762.20	
Surplus from assessment sales and surrenders	29,521.75	
	207,015.03	
Less net deficit from operations	6,465.36	200,549.67
T O T A L		$389,287.91

The company's surplus account for the year ending December 31, 1914, as shown by Exhibit "A" attached to the application is as follows:

Balance, December 31, 1913,	$3,898.90		
Net surplus from operations from San Fernando Public Utilities	925.62	$4,824.52	
Net loss from operations for the year ending December 31,1914		11,289.53	
Net deficit from operations to December 31, 1914,			$6,465.36

While this Commission would ordinarily require a more complete showing as to the value of the security behind these bonds, it is my opinion that the Commission should adopt a liberal attitude toward this company, by reason of the fact that the property involved is not public utility property and the Commission's jurisdiction arises only through the ownership of a small water plant.

The hearing in this application was originally held on March 9, 1915. Subsequent to the hearing it developed that the company selected by the applicant to act as trustee was not authorized to serve in such capacity and it became necessary for the applicant to make other arrangements. These arrangements have now been completed and the matter has been duly submitted.

After a consideration of the evidence submitted by the applicant, I recommend the following form of order:

ORDER

Consolidated Securites Company having applied to this Commission for authority to issue $150,000 of 20-year six per cent. bonds, as hereinbefore set forth,

And it appearing to this Commission that the purposes for which applicant proposes to issue these bonds are not reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that Consolidated Securities Company be, and it is hereby, authorized to issue $150,000 of 20-year six per cent. bonds for the purpose of refunding indebtedness upon the property mortgaged under said bond issue in the total sum of $58,313.06, as more fully set forth in paragraph (d) of Exhibit "A", attached to the original application, and for the purpose of providing for additions and betterments to the mortgaged property.

The authority herein granted is granted upon the following conditions, and not otherwise:

1. Before any of the bonds herein authorized are issued, the applicant shall submit to this Commission for its approval and supplemental order, copy of the deed of trust securing said bonds;

2. Before any of the bonds authorized hereunder shall be issued for additions and betterments, applicant shall secure from this Commission a supplemental order approving such issue;

3. The bonds issued hereunder shall be sold at a price which will net the applicant not less than eighty per cent. of their face value in cash;

4. Consolidated Securities Company shall keep separate, true and accruate accounts showing the receipt and application in detail of the proceeds of

the sale of the bonds herein authorized to be issued; and on or before the twenty-fifth day of each month, the company shall make verified reports to the Commission stating the sale or sales of said bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, insofar as applicable, is made a part of this order;

5. The authority herein granted is conditioned upon the payment by the applicant of the fee prescribed under the Public Utilities Act;

6. The authority herein granted shall apply only to bonds issued on or before July 31, 1916.

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 19th day of July, 1915.

H. D. Loveland

Alex Gordon

Edwin O. Edgerton

Commissioners.

Railroad Commission State of California
FEE $150.00
AUG 9 1915
BY H. G. Mathewson Assistant Secretary.