

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

Decision No. 284

In the Matter of the Application of
PACIFIC ELECTRIC RAILWAY COMPANY for
authority to issue its refunding mort-
gage fifty year gold bonds under its
mortgage dated September 1, 1911, to
the amount of \$5,285,000, face value,
.....

Application No. 219.

Guy Shoup and Paul Shoup for applicant.

TEELEN and EDGERTON, Commissioners.

O P I N I O N.

PACIFIC ELECTRIC RAILWAY COMPANY petitions for an order of this Commission authorizing the issue of bonds of the face value of \$5,285,000 under its mortgage dated September 1, 1911, for refunding purposes, as hereinafter specified.

Pacific Electric Railway Company was formed on or about September 1, 1911, by the consolidation of Pacific Electric Railway Company, Los Angeles Interurban Railway Company, Los Angeles and Redondo Railway Company, The Riverside & Arlington Railway Company, The San Bernardino Valley Traction Company, Redlands Central Railway Company, San Bernardino Interurban Railway Company and Los Angeles, Pacific Company, and operates an extensive system of interurban railway in Los Angeles County and adjacent counties.

Applicant's total authorized capital stock, as shown by its articles of incorporation, and consolidation, is one hundred million dollars, divided into one million shares of the par value of \$100 each. Of the capital stock so authorized, \$74,000,000 was issued to the stockholders of applicant's constituent corporations. The amount of stock outstanding in the constituent corporations at the time of the consolidation was about \$57,435,700. The Capital stock of the par value of \$26,000,000 is now held in applicant's treasury and is not regarded by applicant as having been issued.

Applicant has authorized an issue of bonds in the amount of one hundred million dollars. The bonds are secured by deed of trust or mortgage from Pacific Electric Railway Company to United States Mortgage and Trust Company, dated September 1, 1911. The bonds are fifty year gold bonds and bear interest at the rate of 5 per cent per annum. Of the bonds so authorized, bonds of the face value of \$20,839,000 have been issued as follows:

(a) \$10,000,000 were issued under Section 1 of Article II of the refunding mortgage and were used to reimburse the applicant for moneys expended for betterments and improvements.

(b) \$ 8,182,000 were issued to refund an equivalent amount of underlying bonds of Los Angeles and Redondo Railway Company and Los Angeles Interurban Railway Company.

(c) \$ 2,657,000 were issued for new construction work and other work specified in Section 3 of Article II of the refunding mortgage.

It is now desired to issue bonds of the face value of \$5,285,000 for the following purposes:

(a) To refund first mortgage 5 per cent bonds of Los Angeles Interurban Railway Company dated April 1, 1903----- \$2,537,000

(b) To refund Los Angeles and Redondo Railway Company first mortgage 5 per cent bonds dated January 15, 1902----- 500,000

(c) To refund Los Angeles and Redondo Railway Company first mortgage 5 per cent bonds dated October 1, 1908,----- 2,248,000

Total,----- \$5,285,000

It will be noted that all the bonds to be refunded bear interest at the rate of 5 per cent, and that this is also true of the bonds which it is now proposed to issue.

The Commission made inquiries into the value of applicant's property, but was unable to secure the information

which it will be necessary for applicant to furnish in case it desires hereafter to issue bonds for purposes other than refunding.

From the point of view of applicant, it will be desirable that its application be granted, for the reason that it strengthens applicant's finances to have the underlying bond issues on its constituent corporations paid, so that its one hundred million dollar mortgage may become a first mortgage on all of its property. The public will not be injured in any way by the grant of the application. We find that the purposes for which the bonds for which application is made are to be used are not in whole or in part reasonably chargeable to operating expenses or to income and recommend that the application be granted. We submit herewith the following form of order:

O R D E R.

PACIFIC ELECTRIC RAILWAY COMPANY having applied to the Railroad Commission for an order of this Commission authorizing the issue by said Company of bonds in the amount of \$5,285,000, face value, said bonds to be payable on the first day of September, 1961 and to bear interest at the rate of 5 per cent per annum, payable semi-annually, and secured by a trust deed or mortgage upon all the property of the Company, and a public hearing having been held on said application, and the Commission finding that the issue of said bonds is reasonably required by said Company for the discharge or lawful refunding of its obligations and that said purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that the Railroad Commission of the State of California hereby authorizes the issue by said Pacific Electric Railway Company of \$5,285,000, face value of principal of bonds of said Company, maturing the first day of September, 1961, all of the

outstanding bonds of any one or more series, but not a part of any series, to be redeemable at the option of the Company on the first day of September, 1916, or on any semi-annual interest day thereafter, and to bear interest at the rate of 5 per cent per annum, payable semi-annually, under and in pursuance of the terms of trust deed or mortgage heretofore and on the first day of September, 1911, made and executed by Pacific Electric Railway Company to United States Mortgage and Trust Company as trustee, on the following conditions and not otherwise, to-wit:

1. Said bonds of Pacific Electric Railway Company, bearing numbers 23320 to 28604, inclusive, shall be exchanged by said Company, bond for bond, for bonds of the following companies in amounts not to exceed the following respective amounts:

(a) Bonds of the face value of \$2,537,000 may be exchanged for bonds of the same face value of Los Angeles Interurban Railway Company's first mortgage 5 per cent bonds, dated April 1, 1903.

(b) Bonds of the face value of \$500,000 may be exchanged for bonds of the same face value of Los Angeles and Redondo Railway Company's first mortgage 5 per cent bonds, dated January 15, 1902.

(c) Bonds of the face value of \$2,248,000 may be exchanged for bonds of the same face value of Los Angeles and Redondo Railway Company's first mortgage 5 per cent bonds, dated October 1, 1908.

2. Pacific Electric Railway Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale or disposition of the bonds hereby authorized to be issued, and on or before the 25th day of each month, the Company shall make verified reports to the Commission, stating the sale or sales or other disposition of said bonds during the previous month, the terms and conditions of sale or other disposition, the moneys realized therefrom and the use and application of said

moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority hereby given to issue bonds shall apply only to bonds issued by said Company on or before the 30th day of June, 1913.

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 16th day of October, 1912.

John M. Cushman

W. S. Loveland

Chas. G. Dora

Max J. Tuley

Edwin D. Edgerton

Commissioners.