

to be transferred and this corporation should issue \$40,000 face value of six per cent bonds to become due July 1, 1924, and to be delivered to Mr. Eddy as a further consideration for the transfer of his property.

The Funding Company paid the \$20,000 cash and \$20,000 worth of its stock to Mr. Eddy and has caused the incorporation of Angels' Flight Railway Company with \$100,000 par value of capital stock, and this Commission is now asked to authorize the issue of all of this stock to the Funding Company and of \$40,000 face value of bonds to Mr. Eddy for the transfer of his property.

Mr. Eddy states that he has invested in this railway property \$50,000, and the Funding Company alleges that it has since the execution of the aforementioned agreement, expended several thousand dollars in betterments, improvements and replacements.

The earnings of this railway are now about \$12,000 net a year, and applicants urge that they be allowed to capitalize this property on a basis of earnings. It is obvious that the earning basis is not a proper one upon which to base capitalization, for the reason that public utilities being subject to rate fixing, capitalization based on earnings to-day, would have entirely different security and probability of payment were these rates changed by a rate fixing body tomorrow. Hence, the Commission has long since determined that a safe basis for determining what capitalization should be permitted on a given property, is the value of such property.

It appears from the evidence that there is a reasonable margin between the value of the property and the \$40,000 of bonds asked to be issued, and I recommend that the issue of such bonds be authorized.

The request for the issuance of \$100,000 of capital stock should not be granted, and I recommend that an authoriza-

tion be made for \$14,000 par value of such stock.

The trust deed under which these bonds are to be issued has not yet been prepared, and I recommend as a condition precedent to the effectiveness of this order that a trust deed be prepared and submitted before its execution, for the approval of this Commission.

Proceedings have been taken by applicant to authorize an issue of \$100,000 face value of bonds, \$40,000 of which are to be used as above stated, the remaining \$60,000 thereof to be used hereafter in improving the property. We are not asked at this time to authorize the issuance of the \$60,000 of bonds. But it is stated as part of the agreement between the parties herein that no additional bonds above the \$40,000 shall be issued without the consent of the holders of a majority of said \$40,000 of bonds.

While this is a matter which may be determined at the time the proposed trust deed is submitted, I recommend that no agreement having this effect be approved by the Commission. To permit holders of outstanding bonds to determine whether or not additional bonds should be issued, to an extent usurps the functions of this Commission and places in the hands of individuals the power to seriously handicap the corporation.

I submit herewith the following form of order:

O R D E R

Application having been made to the Railroad Commission of the State of California by Angels' Flight Railway Company to issue \$40,000 face value of six per cent bonds, to become due not later than July 1, 1924, and \$100,000 par value of capital stock and authorizing it to purchase for said stock and said bonds that certain railroad incline and passenger conveying system now owned ~~and operated~~ by J. W. Eddy in the City of Los Angeles, and which is commonly known as and called "Angels' Flight" and

authorizing said company to mortgage said property as security for the payment of said bonds, and for an order authorizing J. W. Eddy to sell said Angels' Flight Railway to said Angels' Flight Railway Company,

And a public hearing having been duly held and it appearing to the Commission that it is proper that the Angels' Flight Railway Company issue and deliver stock and bonds to the amount hereinafter provided for the acquisition of the railroad property within the City of Los Angeles known as "Angels' Flight", and that public convenience and necessity will be served by the sale of said railroad property by J. W. Eddy, to said Angels' Flight Railway Company.

IT IS HEREBY ORDERED that the Railroad Commission of the State of California does hereby authorize the issue by Angels' Flight Railway Company of \$40,000 face value of six per cent bonds, to be payable not later than July 1, 1924, and \$14,000 par value of capital stock, and to pay and deliver said stock and bonds for the transfer to it of the railroad property situated in Los Angeles, California and known as "Angels' Flight", and said Angels' Flight Railway Company is further authorized to mortgage its property to secure the payment of said bonds.

AND IT IS HEREBY FURTHER ORDERED that the Railroad Commission of the State of California does hereby authorize the sale by J. W. Eddy and the purchase by Angels' Flight Railway Company for the considerations above stated, of that certain property situated in the City of Los Angeles and known as "Angels' Flight".

As conditions precedent to the effectiveness of this order, said Angels' Flight Railway Company shall submit before its execution for the approval of this Commission, a trust deed under which said bonds are to be issued, and as a further condition precedent to the effectiveness of this order, there shall be sub-

mitted for the approval of this Commission a conveyance setting out in detail the property to be transferred under the authority of this order, and which property is generally known as "Angels' Flight".

The rights and privileges granted by this order shall be exercised within a period of six months from the date hereof, and if not exercised within such time, such rights and privileges shall cease and this order will thereupon become void.

The payment of the fee prescribed in section 57 of the Public Utilities Act shall be a condition precedent to the effectiveness of this order.

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 25th day of April, 1913.

John M. Eschman
H. D. Loveland
W. G. Gordon
Edwin O. Edgerton

Commissioners.

Railroad Commission State of California

FILED 2-50-100
APR 28 1913
BY J. H. Anderson
Assistant Secretary.