

ORIGINAL

Decision No. 899

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application :
of the MIDWAY GAS COMPANY, a cor- :
poration, for an order confirming :
the refunding of certain notes for :
the aggregate principal amount of :
\$75,000.00 heretofore executed by : Application No. 702.
it, payable within twelve months :
from the date of the execution :
thereof, by the issuance of new :
notes, payable within twelve months :
from the date of the execution :
thereof. :

Cyrus Peirce, for applicant.

LOVELAND, Commissioner.

O P I N I O N

This application came on regularly for hearing in San Francisco, California, Friday, August 22, 1913.

For the financial and general condition of applicant, reference is made to the Opinion and Order in Application No. 202, Decision No. 468, at the hearing of which application Commissioner Edgerton made a most exhaustive study and analysis of all of the circumstances and conditions surrounding applicant's activities.

The necessity for the present application arises from the fact that on the 27th day of January, 1913 applicant executed to the Bank of California, a corporation, three promissory notes each for \$25,000.00, one due in four months without interest, and the remaining two due in five and six months, respectively, with interest at 6%. That the consideration received by applicant for said promissory notes was the sum of \$74,500.00, the note due in four months without interest having been discounted in the sum of \$500.00; That said sum was expended by applicant on its plant in construction work; That said promissory notes executed by applicant to said Bank of California have been

refunded as follows:-

That for the purpose of paying indebtedness due from applicant, including principal and accrued interest upon said promissory notes, and obtaining money for construction purposes and conducting its business, applicant heretofore, to-wit: on or about the 15th day of May, 1913, borrowed from each of its stockholders a sum equal to \$7.00 per share of the capital stock held by them respectively, and desires now to execute to said stockholders respectively its promissory notes for the amount so borrowed, such notes to bear date of May 15, 1913, payable within one year, to-wit: on the first day of May, 1914, bearing interest at the rate of 6% per annum; That the sum so advanced by stockholders amounted to \$210,000.00; That said promissory notes to be executed to said stockholders are to be unsecured; That applicant has paid said promissory notes executed by it to the Bank of California and has used for that purpose a portion of the sums so borrowed from its stockholders, to-wit: the sum of \$76,387.45.

Applicant asks that the transactions above described, resulting in the refunding of the said promissory notes executed to the Bank of California for the aggregate principal amount of \$75,000.00, be approved.

I find as a fact that the results which applicant desired to obtain by these proceedings were necessary in the conduct of its business and that the action taken to secure those results was proper and legal under the provisions of Section 52 (b) of the Public Utilities Act, as such notes are to be payable within a period of one year; and I recommend that an Order be issued by this Commission approving of the refunding of the notes amounting, in the aggregate, to \$75,000.00, given to the Bank of California, as aforesaid, and the issuance of said notes to stockholders.

I recommend the following Order:-

O R D E R

WHEREAS, the Midway Gas Company, a corporation, did, on January 27, 1913, execute to the Bank of California, a corporation, three several promissory notes each in the sum of \$25,000.00, due in four, five and six months, respectively, the note due in four months being without interest and those due in five and six months bearing interest, respectively, at 6%; and,

WHEREAS, the Midway Gas Company, a corporation, has since borrowed from each of its stockholders a sum amounting to \$7.00 per share on each stockholder's holding, the amount so borrowed aggregating \$210,000.00, and from the money so realized has paid the aforesaid notes to the Bank of California in the sum of \$75,000.00, with interest, and desires to execute notes to each of its stockholders respectively for the amount so borrowed from said stockholders' said notes, to be dated May 15, 1913, and to become due within one year, to-wit: May 1, 1914; and,

WHEREAS, the Commission has found the transactions aforesaid necessary and proper in the conduct of applicant's business and within the provisions of Section 52 (b) of the Public Utilities Act;

IT IS HEREBY ORDERED: That applicant, the Midway Gas Company, be and it is hereby granted permission to issue notes bearing date of May 15, 1913 and to become due May 1, 1914, to each of its stockholders for the amounts paid by said stockholders, as hereinbefore set forth, the aggregate of such notes to be \$210,000.00, with interest at not to exceed 6%.

IT IS HEREBY FURTHER ORDERED: That this permission to issue notes shall apply only to notes issued on or before the first day of October, 1913, and that the aggregate of such notes

so issued shall not exceed the sum aforesaid, \$210,000.00; this Order to become effective upon payment of the regular fee as provided in Section 57 of the Public Utilities Act as amended.

IT IS FURTHER ORDERED: That applicant keep regular books of accounts in the manner prescribed by the Commission, and that it shall report to the Commission concerning the issue of said notes and the disposition of the proceeds thereof, in accordance with this Commission's General Order No. 24, which Order, in so far as applicable, is made a part 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 27th day of August, 1913.

H. D. Loveland
W. G. Gordon
Max. Thelen

Commissioners.