

Decision No. 26882

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
MT. LASSEN TRANSIT COMPANY,)
a corporation, for approval of)
agreement, for authority to issue)
stocks and notes and to become an)
indorser.)

Application No. 19212

BY THE COMMISSION:

ORIGINAL

O P I N I O N

In this application the Railroad Commission is asked to make its orders authorizing Mt. Lassen Transit Company, a corporation, to:-

1. Issue 62,063 shares of stock of the par value of \$62,063.00, in satisfaction and release of indebtedness;
2. Endorse a \$5,500.00 note heretofore issued by Juniper Service Corporation;
3. Forgive indebtedness owed to it by Juniper Service Corporation in the principal amount of \$23,622.23;
4. Issue promissory notes in the total aggregate amount of \$15,034.00 to refund existing liabilities.

It appears that Mt. Lassen Transit Company is a corporation, organized under the laws of the State of California, and engaged in operating auto stages, primarily for the transportation of passengers, between Red Bluff, Reno, Westwood, Susanville, Lassen Volcanic National Park and intermediate points over and along the several routes in connection therewith, and other points in and around Westwood, Lassen County. Its assets and liabilities as of September 30, 1935, are reported as follows:

ASSETS

<u>Fixed Assets:</u>		
Land.....		\$ 6,000.00
Passenger cars and trucks.....	\$103,461.75	
Garage equipment.....	687.40	
Furniture.....	1,957.31	
	<u>106,106.46</u>	
Less depreciation reserve.....	<u>97,028.94</u>	<u>9,077.52</u>
		\$15,077.52
<u>Current Assets:</u>		
Cash.....		2,743.36
Accounts receivable.....		6,251.93
Notes receivable.....		240.00
Due from Juniper Service Corp.....		23,622.23
Supplies.....		12,868.59
Due from employees.....		<u>159.26</u>
		45,885.37
Deferred expense.....		<u>1,293.04</u>
Total Assets.....		<u>\$62,255.93</u>

LIABILITIES

Capital stock.....		\$85,500.00
Capital stock assessment.....		8,550.00
Capital stock premium.....		8,900.00
<u>Current Liabilities:</u>		
Accounts payable.....	\$14,252.71	
Notes payable.....	<u>50,286.20</u>	64,538.91
Accrued liabilities.....		5,216.34
Corporate deficit.....		<u>110,449.32</u>
Total Liabilities.....		<u>\$62,255.93</u>

Juniper Service Corporation, which is referred to in this application, was organized during 1925 to acquire and operate certain non-utility properties then owned by Mt. Lassen Transit Company. Its outstanding stock is reported to be owned entirely by the holders of the stock of Mt. Lassen Transit Company.

The application shows that Juniper Service Corporation has outstanding obligations including \$23,622.23 due Mt. Lassen Transit Company, \$24,667.60 due Walker Investments, Inc. and \$5,500.00 due Westwood National Bank, and that Mt. Lassen Transit Company as of September 30, 1933, had outstanding notes of \$50,286.20, made up of the following:

Payee	Date of Issue	Date Due	Interest Rate-%	Amount
Walker Investments, Inc.	Nov. 1, 1932	Nov. 1, 1933	8	\$18,232.14
Walker Investments, Inc.	Apr. 18, 1933	Apr. 18, 1934	6	8,742.56
Sub-total.....				<u>26,974.70</u>
T. S. Walker.....	June 17, 1931	June 17, 1934	7	7,577.50
Westwood Natl. Bank....	June 18, 1933	Dec. 18, 1933	7	5,500.00
W. C. Lawrence	May 11, 1933	May 11, 1934	8	3,350.00
W. C. Lawrence.....	May 11, 1933	May 11, 1938	8	6,384.00
Sam Aronson.....	June 20, 1933	June 20, 1933	8	<u>500.00</u>
Total.....				<u>\$50,286.20</u>

Subsequent to September 30, 1933, it is reported that \$700.00 was paid on the \$6,384.00 note in favor of W. C. Lawrence, bringing it down to \$5,684.00.

Applicant asks permission to issue \$62,063.00 par value of stock to Walker Investments, Inc. and T. S. Walker. They would accept this stock in payment of \$37,395.64 due them by Mt. Lassen Transit Company and \$24,667.50 due them by Juniper Service Corporation. In addition it was planned for Mt. Lassen Transit Company to cancel \$23,622.23 due it from Juniper Service Corporation and to endorse the \$5,500.00 note due from the service corporation to the Westwood National Bank.

In considering the request of Mt. Lassen Transit Company to issue \$62,063.00 additional stock, it should be noted that the corporation at this time has \$85,500.00 of stock and \$64,538.91 of notes and accounts receivable, a total of \$150,038.91, outstanding against total assets reported in its balance sheet at \$62,255.93. Should the present proposals be carried out, the book amount of the assets through the cancellation of the account receivable from Juniper Service Corporation would be reduced to \$38,633.70 against which there would be outstanding \$147,563.00 par value of stock and \$29,286.71 of notes and accounts payable, a total of \$176,849.71.

We cannot approve such a financial structure. Further, it clearly appears that a portion, at least, of the indebtedness due

Walker Investments, Inc. and T. S. Walker represents moneys used for interest and other purposes chargeable to income or operating expense accounts. In our opinion the Commission under provisions of Section 52-b of the Public Utilities Act cannot authorize the issue of stock to pay income charges or operating expenses. The request to issue stock for these and other reasons will be dismissed without prejudice.

As to the remaining requests of Mt. Lassen Transit Company, the application contains no showing in support of the proposal of Mt. Lassen Transit Company to endorse, or assume, the \$5,500.00 note of Juniper Service Corporation to Westwood National Bank and there is nothing to show what consideration, if any, will pass to applicant from such endorsement. This request also will be dismissed without prejudice.

The forgiveness of the \$23,622.23 indebtedness due from Juniper Service Corporation may be accomplished by applicant without an order from this Commission, no permission being required under the terms of the Public Utilities Act. This request will be dismissed for lack of jurisdiction.

The request to issue notes aggregating \$15,034.00 will be granted. The moneys represented thereby are said by applicant to have been used in the purchase of equipment and, in the case of the \$500.00 note to Sam Aronson, for services rendered. The proposal of applicant will not increase the total indebtedness nor the annual fixed charges, and it therefore does not appear contrary to the interest of the corporation nor of the public to approve this portion of the application.

The issue of stock, as well as other phases of the application, were discussed with representatives of applicant. We have been

advised that efforts will be made to effect a cancellation of the indebtedness due the Walker Investments, Inc. and T. S. Walker and reduce the outstanding stock. We believe that a readjustment of applicant's indebtedness and outstanding stock is desirable.

O R D E R

Mt. Lassen Transit Company having applied to the Railroad Commission for permission to issue stock and notes, to endorse a note and to forgive indebtedness, and the Commission being of the opinion that this is not a matter in which a public hearing is necessary, that the request to issue \$15,034.00 of notes is reasonably required by applicant and that the remaining requests should be dismissed without prejudice,

IT IS HEREBY ORDERED, that the requests of Mt. Lassen Transit Company to issue \$62,063.00 of stock, to endorse a \$5,500.00 note of Juniper Service Corporation and to forgive indebtedness of \$23,622.23 be, and they hereby are, dismissed without prejudice.

IT IS HEREBY FURTHER ORDERED, that Mt. Lassen Transit Company be, and it hereby is, authorized to issue its promissory notes in the total aggregate amount of \$15,034.00, payable on or before five years after date of issue, with interest at not exceeding eight per cent per annum, for the purpose of renewing, or in evidence of, the following notes:

Payee	Date Issued	Date Due	Interest Rate-%	Amount
W. C. Lawrence	May 11, 1933	May 11, 1934	8	\$ 3,350.00
W. C. Lawrence	May 11, 1933	May 11, 1938	8	5,684.00
Westwood Natl. Bank	June 18, 1933	Dec. 18, 1933	7	5,500.00
Sam Aronson	June 20, 1933	Dec. 20, 1933	8	500.00
Total.....				\$15,034.00

IT IS HEREBY FURTHER ORDERED, that Mt. Lassen Transit Company be, and it hereby is, authorized to issue the \$15,034.00 of notes for terms of less than five years and to renew the same from time to time provided that no renewal note may be issued to mature later than five years after the effective date of this order.

The authority herein granted is upon the following conditions:

1. Mt. Lassen Transit Company shall file with the Commission within thirty (30) days after the issue of the notes herein authorized, or any of them, a statement showing the date of issue, the terms and amounts of the note or notes, and the names of the payees.

2. The authority herein granted to issue notes will become effective when applicant has paid the minimum fee prescribed by Section 57 of the Public Utilities Act, which fee is Twenty-five (\$25.00) Dollars. In other respects the order will become effective twenty (20) days from the date hereof.

DATED at San Francisco, California, this 27th day of December, 1933.

D. L. Lewis
Leon S. ...
M. J. ...
H. B. Harris

Commissioners.

