

Decision No. 36184

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

**ORIGINAL**

In the Matter of the Application of the  
LOS ANGELES RAILWAY CORPORATION

for an order pursuant to Section 52 of the Public Utilities Act authorizing (a) the issuance of one \$2,500,000 installment note; (b) the execution of a trust indenture securing said note, for the purpose of refunding applicant's "First Mortgage Refunding Five Per Cent Bonds"; and (c) the execution of a second supplemental trust indenture subordinating the General Mortgage Bonds to the indebtedness created by said above mentioned loan.

Application No. 25515

BY THE COMMISSION:

O P I N I O N

Los Angeles Railway Corporation asks permission to issue a \$2,500,000 five-year installment note bearing interest at the rate of 3% per annum, payable semi-annually; execute a trust indenture to secure the payment of said note, and execute a second supplemental indenture to its General Mortgage expressly subordinating the lien of the General Mortgage Bonds to the \$2,500,000 note.

Los Angeles Railway Corporation, hereinafter sometimes referred to as applicant, is engaged in rendering a public utility street railway and motor coach transportation service in the City of Los Angeles and in various other incorporated and unincorporated

areas in Los Angeles County.

As of December 31, 1942, applicant reports its assets and liabilities as follows:

<u>Assets</u>		
Investment:		\$49,756,045.12
Road and Equipment	\$49,330,787.42	
Sinking Funds	35,050.50	
Bonds	81,207.20	
Trust Certificates	9,000.00	
U. S. Tax Savings Notes	<u>300,000.00</u>	
Current Assets:		3,373,601.36
Cash	2,629,827.05	
Accounts Receivable	131,085.79	
Materials and Supplies	505,393.52	
Other Current Assets	<u>47,295.00</u>	
Unadjusted Debits		<u>344,161.38</u>
	Total Assets	<u>\$53,473,807.86</u>
<u>Liabilities</u>		
Capital Stock:		\$10,954,400.00
Common	\$ 2,000,000.00	
Preferred	<u>8,954,400.00</u>	
Funded Debt:		16,407,696.43
First Mortgage Refunding Bonds Series A 5s, due October 1, 1948	2,802,000.00	
First Mortgage Refunding Bonds Series B 5s, due October 1, 1950	2,143,000.00	
General Mortgage 5% Bonds, due December 1, 1971	9,000,000.00	
Serial Equipment Trust Certificates, Series A 5s	170,000.00	
Installment 4% Notes, issued to acquire equipment	<u>2,292,696.43</u>	
Current Liabilities:		864,518.02
Audited Accounts and Wages Payable	727,631.86	
Accrued Interest	136,812.50	
Other Current Liabilities	<u>73.66</u>	
Unadjusted Credits:		23,241,284.61
Tax Liability	579,855.41	
Accrued Depreciation	22,565,593.39	
Unredeemed Tokens	<u>95,835.81</u>	
Corporate Surplus		<u>2,005,908.30</u>
	Total Liabilities	<u>\$53,473,807.86</u>

Under the authority granted by Decision No. 31153, dated August 1, 1938, in Application No. 22058, applicant issued (a) \$4,030,000 of First Mortgage Refunding Series A Bonds, due October 1, 1948, and (b) \$2,687,000 of First Mortgage Refunding Series B 5% Bonds, due October 1, 1950. The present status of the First Mortgage Refunding Bonds is as follows:

(a) \$1,772,000 face amount of said bonds consisting of \$1,228,000 of Series A and \$544,000 Series B thereof, have been retired through the sinking funds therefor;

(b) \$516,000 face amount of said bonds consisting of \$311,000 face amount of Series A and \$205,000 face amount of Series B thereof, have been purchased and are now owned by applicant;

(c) \$176,000 face amount of said bonds consisting of \$23,000 face amount of Series A and \$153,000 face amount of Series B thereof, have been purchased by brokers for applicant's account but have not yet been paid for or delivered; and

(d) \$4,253,000 face amount of said bonds consisting of \$2,468,000 face amount of Series A and \$1,785,000 face amount of Series B thereof, are now outstanding in the hands of the public.

Under the trust indenture securing the payment of the bonds, applicant may, upon giving the required notice, redeem said bonds on any interest payment date by paying the principal amount of the bonds and the interest accrued thereon to the date of their redemption, together with a premium of 1%

on the principal amount thereof. Pursuant to the provisions of the trust indenture, applicant proposes to redeem on April 1, 1943, all of said \$4,253,000 of bonds outstanding in the hands of the public and will at the same time cancel the \$516,000 of bonds owned by it and the \$176,000 of bonds which are being purchased by brokers on account of applicant.

Applicant asks permission to issue to The Pennsylvania Company for Insurances on Lives and Granting Annuities, a Pennsylvania corporation, its five-year installment note for the principal sum of \$2,500,000. The note will bear interest at the rate of 3% per annum, payable semi-annually. The principal is payable in installments of \$250,000 each six months. Applicant reserves the right to prepay at any time, and from time to time, any installment of, or the entire amount of, the principal of the note prior to its due date by the payment of the principal and the accrued interest to the date of payment. A revised copy of the proposed note is on file in this proceeding and has been marked Exhibit B-1. The \$2,500,000, together with cash that applicant has on hand and \$200,000 of sinking fund cash now in the hands of the Trustee under the trust indenture securing said First Mortgage Refunding Bonds, will be used to pay said \$4,253,000 face amount of bonds, the accrued interest thereon, and the 1% premium.

The payment of said \$2,500,000 note will be secured by the execution of a trust indenture which will be a first lien on all of applicant's properties. A copy of the proposed trust indenture is on file in this proceeding as Exhibit C.

Applicant has outstanding, \$9,000,000 of General

Mortgage Bonds, the payment of which is secured by a trust indenture which is a second lien on applicant's properties. Applicant will request the holders of the General Mortgage Bonds (five in number) to consent to the modification of the indenture securing their bonds by the execution of a second supplemental indenture expressly subordinating the lien of their bonds and the trust indenture securing the same to the loan of The Pennsylvania Company for Insurances on Lives and Granting Annuities. A copy of this supplemental indenture is on file in this proceeding as Exhibit D.

The refunding of applicant's outstanding First Mortgage Refunding Bonds, as herein proposed, will result in a substantial annual interest saving and will consolidate into one issue the indebtedness represented by such bonds. It will also result in simplifying applicant's capital structure when said \$2,500,000 note has been paid.

#### O R D E R

Los Angeles Railway Corporation having asked permission to issue its installment note for the principal sum of \$2,500,000 for the purpose of paying indebtedness; to execute a trust indenture to secure the payment of said note, and a second supplemental indenture to its General Mortgage, and the Commission having considered applicant's requests and it being of the opinion that there is no need to hold a hearing on this application; that the money, property or labor to be procured or paid for by the issue of said note is reasonably required by applicant

for the purpose herein stated; that the expenditures for said purpose are not in whole, or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted subject to the provisions of this Order, therefore

IT IS HEREBY ORDERED as follows:

1. Los Angeles Railway Corporation may, on or before June 30, 1943, issue to The Pennsylvania Company for Insurances on Lives and Granting Annuities its five-year installment note for the principal sum of \$2,500,000, bearing interest at not to exceed 3% per annum, payable semi-annually, said note to be in substantially the same form as the note on file in this proceeding as Exhibit B-1.

2. Los Angeles Railway Corporation shall use the proceeds realized through the issue of said note to pay in part its outstanding First Mortgage Refunding 5% Bonds.

3. To secure the payment of said \$2,500,000 note and the interest thereon, Los Angeles Railway Corporation may, on or before June 30, 1943, execute a trust indenture and a supplemental indenture to its General Mortgage, said trust indenture and said supplemental indenture to be in substantially the same form as the trust indenture and the supplemental indenture on file in this proceeding as Exhibit C and Exhibit D, respectively, provided that the authority herein granted to execute a trust indenture and a supplemental indenture is for the purpose of this proceeding only, and is granted only insofar as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said trust indenture and said supplemental indenture as to such other legal

requirements to which said trust indenture and said supplemental indenture may be subject.

4. The authority herein granted will become effective upon the date hereof.

5. Within thirty (30) days after the issue of said \$2,500,000 note, Los Angeles Railway Corporation shall file with the Railroad Commission two copies of said note; two copies of said trust indenture; two copies of said supplemental indenture, and a statement showing the purpose for which it expended the proceeds realized through the issue of said note.

Dated at Los Angeles, California, this 23<sup>rd</sup> day of February, 1943.

Francis A. Havenner  
H. B. Hall  
Justus F. Casper  
Richard H. H. H.  
Wm. H. H. H.  
Commissioners.