

ORIGINAL

Decision No. 39246

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
SAN JOSE CITY LINES, INC.,	:	
formerly named San Jose Railroads,)	
a corporation, for an order author-	:	
izing applicant to continue to pay)	Application
interest at rate of 2½% per annum	:	No. 27648
during the two-year period commencing)	
January 1, 1946, on its \$895,000 par	:	
value 5% Gold Bonds issued and)	
outstanding.	:	
-----)	

OPINION AND ORDER

San Jose City Lines, Inc., formerly named San Jose Railroads, on January 1, 1910, executed to Mercantile Trust Company of San Francisco, predecessor of American Trust Company, as trustee, an indenture of mortgage or deed of trust to secure the payment of its bonds. The company now has issued and outstanding \$895,000 of bonds, bearing interest at the rate of 5% per annum, payable semi-annually. The bonds mature January 1, 1955. All of the bonds are owned by San Jose and Santa Clara County Railroad Company, a subsidiary of Pacific City Lines, Inc. The latter owns all of the outstanding stock of San Jose City Lines, Inc.

The Commission by Decision No. 32675, dated December 27, 1939, authorized San Jose City Lines, Inc., to execute an agreement supplemental to its mortgage or deed of trust dated January 1, 1910, which agreement reduced the annual interest rate on the bonds from 5% per annum to 2½% per annum for the period from July 1, 1939, to and including December 31, 1945. It is alleged in applicant's petition that on August 18, 1943, the American

Trust Company executed a release of the mortgage or deed of trust and reconveyed to San Jose City Lines, Inc., whatever interest it had in applicant's properties. As the result of this reconveyance applicant's outstanding bonds are an unsecured obligation. It requests permission to execute an agreement substantially in the form filed in this application as Exhibit "C", under the terms of which it will continue to pay interest on the bonds at the rate of $2\frac{1}{2}\%$ per annum, payable semi-annually, for the period beginning January 1, 1946, and ending December 31, 1947. San Jose and Santa Clara County Railroad Company, owner of all of applicant's outstanding bonds, has agreed to the reduced interest rate.

The Commission has considered applicant's request and is of the opinion that this is not a matter on which a hearing is necessary, and that this application should be granted, therefore,

IT IS HEREBY ORDERED that San Jose City Lines, Inc., be, and it is hereby, authorized to execute an agreement in, or substantially in, the same form as the agreement on file in this application as Exhibit "C", and thereby reduce the interest on all of its issued and outstanding bonds from 5% per annum to $2\frac{1}{2}\%$ per annum, payable semi-annually, for the period January 1, 1946, to and including December 31, 1947.

IT IS HEREBY FURTHER ORDERED that within thirty (30) days after the execution of said agreement San Jose City Lines, Inc., shall file with the Railroad Commission two (2) certified copies of such agreement.

IT IS HEREBY FURTHER ORDERED that the authority herein granted is effective on the date hereof.

Dated at San Francisco, California, this 30 day
of July, 1946.

Edward G. Quinn

Justin F. Cameron
Charles Deane

Irving S. Guggen

Harold H. Kule

Commissioners