

Decision No. 39445

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
	:	
MOUNTAIN PROPERTIES, INC.,)	
a California corporation,	:	Application
)	No. 27849
to Mortgage its Property.	:	
-----)	

O P I N I O N

Mountain Properties, Inc., owns and operates several small water utility systems in Orange and Los Angeles Counties. For 1945, it reports operating revenues of \$25,474.36 and operating expenses of \$23,953.11. Its net operating revenues amounted to \$1,521.25. As of December 31, 1945, it had 1,120 active service connections. Its investment in water properties is, as of July 31, 1946, reported at \$123,390.62; and its reserve for accrued depreciation at \$18,384.09.

By Decision No. 37766, dated April 3, 1945, in Application No. 26572, the Commission authorized applicant to issue a note for the sum of not exceeding \$10,000. Applicant's petition shows that it borrowed from the Reconstruction Finance Corporation the sum of \$9,476.73, and issued its note for that amount. It has made payments of \$2,750.73 on the note, leaving a balance of \$6,726 unpaid.

Because of the increase in population in areas served by applicant, it has become necessary for applicant to enlarge and improve its water systems. It has negotiated a new loan for \$20,376 from the Reconstruction Finance Corporation. The proceeds

of this loan will be used for the following purposes:

To pay present indebtedness due Reconstruction Finance Corporation	\$ 6,726
To purchase additional pipe and two Pomona turbine pumps and cover installation costs	12,900 ⁽¹⁾
To drill one 6-inch water well in Laurel Square Tract	<u>750</u>
Total	\$20,376

To represent the loan applicant asks permission to issue to the Reconstruction Finance Corporation its note for \$20,376, bearing interest at the rate of 4% per annum, payable monthly. The principal of the note is payable in monthly installments of \$400.

The payment of the note will be secured by a deed of trust and a mortgage of chattels which will be a lien on applicant's properties. A copy of the note, a copy of the deed of trust, and a copy of the mortgage of chattels are on file in this application.

Further, the Reconstruction Finance Corporation requires J. L. Lyon, who owns about 80% of applicant's outstanding stock, to pledge his stock as collateral security for the loan, and execute a standby agreement whereby he subordinates payment of any amount due him from Mountain Properties, Inc., to the payment

(1)

The \$12,900 will be expended for the following purposes:

- (A) Acquire and install at a cost of \$875 a pump in the Laurel Square Tract, and a pump in the Orangewood Tract.
- (B) Acquire and install 6,500 feet of four-inch transite pipe at a cost of \$1.10 per foot and 4,000 feet of four-inch steel pipe at \$1.00 per foot in the Orangewood, Hawaiian Gardens, Laurel Square and Barber City Tracts.

of the note issued to the Reconstruction Finance Corporation. Further, the Reconstruction Finance Corporation requires Mountain Properties, Inc., to execute agreements (a) that no cash dividends be paid on the capital stock without prior consent of the Reconstruction Finance Corporation; (b) that the salary, direct or indirect, of J. L. Lyon, president of applicant, be limited to \$250 per month, and the salary of G. L. Alexander, secretary of applicant, be limited to \$150 per month; and (c) that applicant shall not, without prior written consent of the Reconstruction Finance Corporation, purchase in any one calendar month, fixed assets in excess of \$500.

O R D E R

The Commission has considered the request of Mountain Properties, Inc., and is of the opinion that this is not a matter on which a hearing is necessary; that the money, property or labor to be procured or paid for by applicant through the issue of the \$20,376 note is reasonably required by it for the purposes herein stated, and that this application should be granted, subject to the provisions of this order, therefore,

IT IS HEREBY ORDERED as follows:

1. Mountain Properties, Inc., may, after the effective date hereof and on or before December 31, 1946, issue its promissory note for the sum of not exceeding \$20,376 with interest at the rate of not exceeding 4% per annum, payable monthly, said note to be in substantially the same form as the note on file in this application. Mountain Properties, Inc., shall use the proceeds realized through the issue of said note for the following

purposes:

To pay present indebtedness due Reconstruction Finance Corporation	\$ 6,726
To purchase additional pipe and two Pomona turbine pumps and install the same, approx- imately	12,900
To drill one 6-inch water well in Laurel Square Tract	750

2. Mountain Properties, Inc., may, for the purpose of securing the payment of said note for \$20,376, execute and deliver a deed of trust and a mortgage of chattels in form similar to those on file in this application, and execute a loan agreement similar in form to the loan agreement filed in Application No. 26572 as Exhibit "D" and a standby agreement similar in form to the agreement filed in Application No. 26572 as Exhibit "G".

3. The authority herein granted will become effective when Mountain Properties, Inc., has paid the minimum fee prescribed by Section 57 of the Public Utilities Act, which minimum fee is Twenty-five (\$25.00) Dollars.

4. Within thirty (30) days after the issue of said note, Mountain Properties, Inc., shall file with the Railroad Commission a copy of the deed of trust, a copy of the chattel mortgage, a copy of the note, a copy of the loan agreement and a copy of the standby agreement executed under the authority herein granted. It shall also, from time to time, file reports required by the Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

Dated at Los Angeles, California, this 1st day of
October, 1946.

Harold P. Lusk
Justus F. Cramer
Harold C. ...
A. J. ...
 Commissioners

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 RAILROAD COMMISSION
 STATE OF CALIFORNIA
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 H. Lusk
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