

ORIGINAL

Decision No. 42681

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )

MOUNTAIN PROPERTIES, INC., )

A California Corporation, )

to mortgage its properties. )

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Application  
No. 30155

O P I N I O N

In this application, Mountain Properties, Inc. has applied to the Public Utilities Commission for permission to issue a note in the principal amount of \$60,000 for the purpose of paying outstanding indebtedness, of financing the cost of property and of providing working capital, and to execute a deed of trust and two mortgages of chattels to secure the payment of said note. It also asks permission to execute certain other agreements as hereinafter set forth.

Mountain Properties, Inc. is a California corporation engaged in operating public utility water systems in the Counties of Orange and Los Angeles. Its financial reports on file with the Commission show that its investment in its plants has been increasing rapidly, the amounts so invested being reported as follows:

As of December 31, 1944	\$ 88,214.49
As of December 31, 1945	122,400.90
As of December 31, 1946	165,776.78
As of December 31, 1947	238,176.99
As of February 28, 1949	310,693.15

Applicant's assets and liabilities as of February 28, 1949, are reported as follows:

Assets

Fixed capital		\$310,693.15
Current assets -		
Cash	\$ 390.97	
Accounts receivable	4,216.59	
Materials and supplies	<u>13,124.04</u>	
Total current assets		<u>17,731.60</u>
Total		<u>\$328,424.75</u>

Liabilities

Common stock		\$ 54,033.00
Mortgages payable		5,167.53
Notes payable		31,125.60
Current liabilities -		
Accounts payable	\$14,426.57	
Customers' deposits	5,904.90	
Customers' prepayments	1,612.81	
Taxes payable	<u>448.48</u>	
Total current liabilities		22,392.76
Consumers' advances for construction		46,604.17
Donations in aid of construction		58,533.07
Reserve for depreciation		36,948.52
Surplus from depreciation		17,606.43
Earned surplus		<u>6,013.67</u>
Total		<u>\$328,424.75</u>

The balance sheet shows that applicant has financed its investment in plant, in part, through the issue of stock and notes. Pursuant to authority granted by Decisions No. 37766, No. 39445 and No. 40710, it issued promissory notes to the Reconstruction Finance Corporation in the aggregate amount of \$65,376.00 for the purpose of meeting in part its construction requirements. Presently applicant owes the Reconstruction Finance Corporation \$31,325.71.

Applicant now reports that it is in need of additional funds and that it has entered into a loan agreement dated March 1, 1949, to borrow \$60,000 from the Reconstruction Finance Corporation. It proposes to use \$31,325.71 of the amount thus borrowed to pay the present loans from Reconstruction Finance Corporation, to use \$25,119.90 to pay short-term loans and current accounts payable

representing moneys borrowed to expand and improve its water systems, to use \$1,500 to pay for meters and to use \$2,054.39 for working capital, all as shown in some detail in Exhibit "B" attached to the application.

The sum thus to be borrowed will be represented by a note for \$60,000 payable in installments of \$750 or more, plus interest, monthly commencing on May 1, 1949, and continuing for 12 consecutive months; then \$1,000 or more, plus interest, monthly and continuing for 12 consecutive months; then \$1,250 or more, plus interest, monthly and continuing for 12 consecutive months; then \$1,500 or more, plus interest, monthly and continuing until the note is paid in full. Interest on the unpaid principal is computed at the rate of 4% per annum. The payment of the note will be secured by a deed of trust covering applicant's real property in Orange and Los Angeles Counties and by two mortgages of chattels, one covering its personal property located in Orange County, and the other its personal property located in Los Angeles County. A copy of the proposed note has been filed in this proceeding as Exhibit "C-1", a copy of the proposed deed of trust as Exhibit "C-2", and copies of the proposed mortgages of chattels as Exhibits "C-3" and "C-4".

In addition, the Reconstruction Finance Corporation requires J. L. Lyon, who owns 85% of applicant's outstanding stock, and D. J. Lyon each to execute a guaranty with respect to payment of the principal and interest of said note. It also requires applicant to execute a standby agreement (Exhibit "C-9") with J. L. Lyon whereby it will be agreed, among other things, that the monthly compensation to be paid to J. L. Lyon shall be limited to

\$350 a month and that said monthly compensation shall be loaned by J. L. Lyon to applicant; a standby agreement with J. L. Lyon (Exhibit "C-10") relating to the subordination to the lien of the proposed note of any amounts due J. L. Lyon; an after-acquired property agreement (Exhibit "C-11") and an agreement (Exhibit "C-12") whereby it agrees, among other things, that it will not expend an excess of \$2,000 in any three-months' period for fixed assets without a prior written consent of the manager of the Los Angeles loan agency of the Reconstruction Finance Corporation.

A review of the application clearly indicates that applicant is in need of additional funds to pay outstanding indebtedness and to improve its cash position. An order accordingly will be entered in this matter.

#### O R D E R

Mountain Properties, Inc. having applied to the Public Utilities Commission for permission to issue a note for \$60,000 and to execute certain indentures and the Commission having considered the application and being of the opinion that a public hearing thereon is not necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for through the issue of said note is reasonably required for the purposes specified herein and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

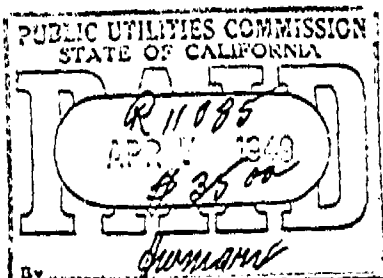
1. Mountain Properties, Inc., after the effective date hereof and on or before June 30, 1949, may issue its promissory note in the principal amount of \$60,000 for the purposes indicated in the preceding opinion, said note to be in form similar to the note filed in this application as Exhibit "C-1".

2. Mountain Properties, Inc., after the effective date hereof and on or before June 30, 1949, for the purpose of securing the payment of said note, may execute and deliver a deed of trust and two mortgages of chattels in form similar to those on file in this application as Exhibits "C-2", "C-3" and "C-4", and may execute the additional agreements referred to in this application.

3. Mountain Properties, Inc. shall file with the Commission a report, or reports, as required by the Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

4. The authority herein granted will become effective when Mountain Properties, Inc. has paid the fee prescribed by Section 57 of the Public Utilities Act.

Dated at San Francisco, California, this 5<sup>th</sup> day of April, 1949.



*R. J. Duggan*  
*Justin J. Capelton*  
*Robert L. Duggan*  
*Harold P. Kula*  
Commissioners