

WASHINGTON METROPOLITAN AREA TRANSIT COMMISSION

WASHINGTON, D. C.

ORDER NO. 1098

IN THE MATTER OF:

Served November 6, 1970

Application of Washington,)
Virginia and Maryland Coach)
Company, Inc., to Issue a)
Promissory Note and Deed of)
Trust to Secure Same.)

Application No. 645

Washington, Virginia and Maryland Coach Company, Inc. ("W. V. & M.") has applied for permission to issue a promissory note to the Washington, Virginia and Maryland Coach Company, Inc. Pension Plan ("Plan"). Securing this note will be a deed of trust on the property, plant, and equipment of W. V. & M. as specified in Application No. 645, and including 206 buses, eight automobiles, four trucks, shop and garage equipment, and furniture and office equipment. Of the 206 buses partially securing this note, 141 are subject to prior liens by Home Life Insurance Company, and 65 are subject to prior liens by General Motors Acceptance Corporation, as collateral for long-term debt.

This application, to issue a promissory note in the amount of \$459,529.20, will convert from open account status to a secured note, indebtedness of W. V. & M. to the Plan which was incurred in the normal course of W. V. & M.'s business under the terms of an agreement with Division 689 of the Amalgamated Transit Union, AFL-CIO. The note is dated June 15, 1970, and bears interest at the rate of six and nine-tenths percent (6.9%) per annum on the unpaid balance, payable in sixty monthly installments beginning June 15, 1970. The principal sum includes \$437,209.31 covering unpaid employer contributions to the Plan, and \$22,320.89 for interest on the unpaid contributions which would have accrued if such contributions had been timely paid to and invested by the Plan at an interest rate of 6.9% per annum. The privilege is reserved by W. V. & M. to prepay this indebtedness at any time without penalty.

In Order No. 1002, served December 22, 1969, the Commission approved a similar request by D. C. Transit System, Inc. ("Transit"), noting that issuance of long-term debt by a carrier with an already high debt-equity ratio would ordinarily be considered an unwise aggravation of an adverse circumstance. Transit's current liability, like W. V. & M.'s, had been built up over a period of time due to management's choice of paying what it considered more urgent debts with its limited cash resources. Approval of the present application will permit W. V. & M., in a tight-money market and in a cash-short position, to convert a current liability to long-term debt.

The Commission is of the opinion and finds that the issuance of the promissory note and the deed of trust as security therefor is not contrary to the public interest and that permission should be granted authorizing the execution of said note and deed of trust.

THEREFORE, IT IS ORDERED:

1. That Washington, Virginia and Maryland Coach Company, Inc., be, and it is hereby, authorized to issue a promissory note to the Washington, Virginia and Maryland Coach Company, Inc. Pension Plan in the amount of \$459,529.20, specifying interest at the rate of 6.9% per annum on the unpaid balance, payable in sixty monthly installments beginning June 15, 1970, and to execute a deed of trust covering the property, plant, and equipment specified in Application No. 645 as security for the promissory note.
2. That any costs incurred in connection with subject financing be charged below-the-line as non-operating costs.
3. That upon execution of the promissory note and the deed of trust herein authorized, copies thereof shall be filed with this Commission.
4. That within thirty (30) days after the payment and cancellation of the promissory note and satisfaction of the deed of trust herein authorized, Washington, Virginia and Maryland Coach Company, Inc., shall so advise the Commission.

BY DIRECTION OF THE COMMISSION:

Melvin E. Lewis
MELVIN E. LEWIS
Executive Director