

Decision No. 13353

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

In the Matter of the Application of)
KINGS LAKE SHORE RAILROAD COMPANY,)
a corporation, for an order author-)
izing the issue of capital stock.)

Application Number 2919

Blaine McGowan, for Applicant.

BY THE COMMISSION :

FIRST SUPPLEMENTAL OPINION

Kings Lake Shore Railroad Company, in its fifth supplemental petition filed in the above entitled matter, asks the Railroad Commission to make an order authorizing it to issue \$100,000.00 of preferred stock and \$250,000.00 of common stock to Charles King in payment of advances made by him and used by applicant in acquiring rights of way and in constructing its line of railway, and in lieu of the outstanding stock.

The record shows that Kings Lake Shore Railroad Company was incorporated on or about May 1, 1917, with an authorized capital stock of \$500,000.00, divided into 5,000 shares of the par value of \$100.00 each, all shares being common. It appears that recently applicant's stockholders have voted to amend the Articles of Incorporation so as to provide for an authorized capital stock of \$500,000.00 consisting of 5,000 shares of the par value of \$100.00 each, and divided into \$100,000.00 of preferred stock and \$400,000.00 of common stock. The preferred stock bears dividends at the rate of 7 per cent per annum, cumulative after April 1, 1924, and is preferred as to assets over the common.

The Articles, as amended, provide for the annual payment into a sinking fund of \$5,250.00, to be used to retire the preferred stock, by purchase or redemption, at a price not exceeding \$105.00 a share.

After cumulative dividends have been paid on the preferred stock and the sinking fund payments have been made, the common stock is entitled to receive dividends up to seven per cent per annum, after which the preferred stock is entitled to receive additional non-cumulative dividends of not more than three per cent per annum. After the payment of the additional three per cent dividend the remaining net profits may be distributed to the holders of the common stock.

The company's line of railway extends from Corcoran to Liberty Station, a distance of 17.4 miles. To finance the construction, the Commission heretofore has authorized the company to issue \$165,976.63 of its first mortgage six per cent bonds due 1934 and \$103,900.00 of common stock. It is reported, however, that of the amounts authorized only \$52,500.00 of stock has been issued and that the balance necessary to complete the line has been advanced by Charles King. This application is now made to permanently finance the cost of the properties through the issue of stock. Applicant reports that it does not intend to issue bonds and that its mortgage has been discharged of record. The present outstanding stock will be cancelled and new shares issued in lieu thereof.

Following the hearing on the Fifth Supplemental Petition, Mr. Ward Hall, one of the Commission's assistant engineers, made an appraisal of applicant's properties and prepared a report which, by consent of counsel for applicant, is considered in evidence. In his report Mr. Hall estimates the historical reproduction cost

of all the properties as of February 13, 1924, as \$294,070.00 and depreciated as \$236,515.00 and reproduction cost new as \$381,782.00 and depreciated as \$305,395.00.

For the purposes of this proceeding we do not believe that we would be justified in authorizing the issue of stock in excess of the estimated cost on the historical reproduction basis. It appears, however, that Mr. Hall's estimate should be increased by \$1,700.00 on account of additional grading not covered by his report. The order herein, therefore, will authorize the issue of \$295,800.00 of stock.

FIFTH SUPPLEMENTAL ORDER

KINGS LAKE SHORE RAILROAD COMPANY having applied to the Railroad Commission for permission to issue \$350,000.00 of stock, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for through the issue of \$295,800.00 of stock is reasonably required for the purposes specified herein and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED that KINGS LAKE SHORE RAILROAD COMPANY be, and it is hereby, authorized to issue not exceeding \$100,000.00 of its preferred stock and \$195,800.00 of its common stock, or such an amount of either as it may elect to issue up to an aggregate amount of \$295,800.00, provided that not exceeding \$100,000.00 of preferred stock be issued.

The authority herein granted is subject to further conditions as follows :-

1. The stock herein authorized to be issued shall be delivered to Charles King in full payment of amounts advanced by him and used by applicant

in constructing its line of railway, and in lieu of the outstanding \$52,500.00 of stock, provided that the certificates representing the outstanding shares of stock aggregating \$52,500.00 be returned to applicant and cancelled.

2. Upon issuing the stock herein authorized, any and all liens upon applicant's properties shall be paid by Charles King.
3. Applicant shall keep such record of the issue, sale and delivery of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th. day of each month a verified report, as required by the Railroad Commission's General Order Number 24, which order in so far as applicable, is made a part of this order.
4. The authority herein granted to issue stock will become effective upon the date hereof but will expire on July 31, 1924.

IT IS HEREBY FURTHER ORDERED that the Fifth Supplemental Application in so far as it relates to the issue of \$54,200.00 of stock be, and it is hereby, dismissed without prejudice.

IT IS HEREBY FURTHER ORDERED that the authority heretofore granted by the Commission permitting Kings Lake Shore Railroad Company to issue \$165,976.63 of bonds be, and it is hereby, vacated and set aside.

DATED at San Francisco, California, this 29th day of March, 1924.

C. A. Seaver
H. C. Pringle
Dwight Martin
Kings Lake Shore