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Decision No. 10726

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA

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In the Matter of the Application of)
MINARETS & WESTERN RAILWAY COMPANY)
for an order authorizing the issue)
of stock and bonds.)

Application No. 7995.

Goudge, Robinson & Hughes, by Herbert J. Goudge,
for applicant.

BENEDICT, Commissioner.

O P I N I O N.

MINARETS & WESTERN RAILWAY COMPANY asks permission to issue and sell \$50,000.00 of common stock and \$2,200,000.00 of 6 per cent. 20-year bonds for the purpose of acquiring rights-of-way and building a standard gauge railway extending from Friant to Crane Valley, a distance of about 39.3 miles and a line, about 4.6 miles in length, extending from Pinedale Junction (formerly known as Setch), a station on the Clovis branch of the Southern Pacific, to the townsite of Pinedale, where the mill of the Sugar Pine Lumber Company will be located.

Sugar Pine Lumber Company and its stockholders have caused applicant corporation to be organized. Applicant has an authorized stock issue of \$1,000,000.00, divided into 10,000 shares of \$100.00 each. It is now actively engaged in building its railroad. Up to and including May 30, 1922, it had expended for such purpose the sum of \$735,560.92, all of which money it obtained from the Sugar Pine Lumber Company. The total cost of applicant's road and equipment is estimated by its engineer at \$2,194,703.00.

E.H. Cox, president of Minarets & Western Railway Company and vice-president of Sugar Pine Lumber Company, testified that the lumber company has under its definite control a forest estimated to contain 1,400,000,000 feet of lumber; that adjacent to their holdings are other forest lands containing approximately 1,000,000,000 feet of lumber, and that the Sugar Pine Lumber Company is now engaged in building a mill near Fresno with a capacity in excess of 500,000 feet of lumber per day. It is for the purpose of transporting logs to the mill and the lumber and by-products from the mill to the Southern Pacific tracks that applicant is constructing its railway. Though applicant will receive substantially all of its revenue, so far as can be foreseen now, from the transportation of lumber for the Sugar Pine Lumber Company, nevertheless the road will be operated as a common carrier.

At this time applicant asks for a preliminary order authorizing the issue of \$50,000.00 of stock. Later it will file a complete copy of its deed of trust and then ask for an order authorizing the issue and sale of its bonds. It proposes to issue bonds approximately equal to the estimated cost of its road and equipment. E.H. Cox and his associates have agreed to purchase the bonds at 97 and accrued interest. If the proceeds from the bonds prove inadequate to finance the construction of applicant's road, the Sugar Pine Lumber Company will advance to applicant such an amount as may be necessary to complete the road. The purchasers of the bonds have not agreed to hold the same until maturity. The record as a matter of fact shows that if there should develop a market for the bonds after the road is completed and in operation, they will endeavor to sell the bonds. In view of the amount of bonds which applicant asks permission to issue and the relation of such an amount to the estimated cost of applicant's road, and in view of the nature of traffic which applicant will handle, I believe that the payment of

applicant's bonds should be guaranteed by the Sugar Pine Lumber Company, or by the stockholders of the lumber company, or some other provision or provisions should be included in applicant's deed of trust giving added security to the bonds. Though it appears that applicant's deed of trust will be a first lien on all of its properties, I do not believe that such a lien is sufficient security for the amount of bonds which applicant intends to issue, and therefore, suggest that in preparing applicant's proposed deed of trust particular attention be given to the provision or provisions relating directly or indirectly to the security on which the bonds rest and the covenants and agreements on behalf of the company referring to the payment of the bonds.

I herewith submit the following form of preliminary order.

O R D E R

MINARETS & WESTERN RAILWAY COMPANY having applied to the Railroad Commission for permission to issue stocks and bonds, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for through the issue of the stock herein authorized is reasonably required by applicant, and that at this time a preliminary order should be made in this proceeding authorizing the issue of said stock;

IT IS HEREBY ORDERED, that MINARETS & WESTERN RAILWAY COMPANY be, and it is hereby, authorized to issue and sell on or before October 1, 1922, for cash, at not less than par \$50,000.00 of its common capital stock and use the proceeds for the purpose of paying in part the cost of constructing its line of railway referred to in this application, or for the purpose of paying indebtedness incurred in connection with the construction of said line of railway, provided -

THAT Minarets & Western Railway Company will keep such record of the issue and sale 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 No. 24, which order in so far as applicable is made a part of this order.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 19th day of July, 1922.

H. B. Anderson

Dwight Martin

W. D. Jones

Commissioners.