

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of Death Valley Railroad Company, a corporation, for an order authorizing the issuance and sale of certain bonds.) Application No. 836

Peck, Bunker & Cole for applicant.

EDGERTON, Commissioner.

O P I N I O N

An application was originally filed herein by Tonopah and Tidewater Railroad Company for an order authorizing the issue of bonds for the purpose of building a narrow gauge railroad in what is called Death Valley. That application was denied and the plan of financing the building of such railroad was thereafter changed, a new corporation was organized, and we are now asked to authorize the issuance of bonds by said new corporation for the purpose of building said railroad.

We are asked to authorize applicant to issue 473 bonds of 100 pounds sterling each of British money, or a total face value of 47,300 pounds sterling, which will be equivalent in money of the United States to bonds of approximately \$487 each, or a total face value of \$230,351, said bonds to bear interest at the rate of 5 per cent per annum.

And, we are further asked to authorize the execution of a trust deed by applicant whereby all of its property will be made security for the payment of bonds in a total face value of 82,200 pounds sterling, British money, which is equivalent to \$400,314 in money of the United States. It is proposed to allow the bonds secured by the lien of said trust deed and which are not now asked to be issued to remain in the treasury of the company.

Applicant has provided in its trust deed for a sinking fund designed to provide for the retirement of bonds in definite amounts for each year, beginning March 1, 1915, and which will result in the retirement of the full amount of bonds named in said trust deed in a period of ten years from March 1, 1914. - This sinking fund will retire the bonds now asked to be issued in about seven years from March 1, 1914.

In addition it is proposed to have Borax Consolidated Company, Ltd., (a corporation owning and operating the borax properties to be served by this railroad) guarantee the payment of the above principal and interest of these bonds, such guarantee to be placed in writing upon each bond issued.

Applicant was organized as a corporation in January, 1914, and none of its stock has been issued except qualifying shares to directors. The railroad proposed to be built is a narrow gauge railroad and begins at a point on the Ryan branch of the Tonopah and Tidewater Railroad, 3-1/2 miles from Death Valley Junction, and runs thence in a general northwesterly direction through the mountains and across the open desert for a distance of approximately 16 miles to the Biddy McCarty mine.

The main purpose of this railroad will be to serve the Biddy McCarty mine which is a borax property belonging to the Borax Consolidated Company, Ltd. of England, but it is contemplated that the unusual characteristics of Death Valley will attract tourist travel which may become a considerable feature of the railroad's business.

The cost of this road is estimated in the application to be, with equipment, \$241,827.46, but representatives of applicant request that this estimate be increased by 10 per cent of said amount, or \$24,182.74, estimated contingencies, and by \$15,000 additional cost for transporting materials. This makes the total estimated cost \$281,010.20.

We are asked to authorize the issuance of bonds of a

face value, the equivalent of which in United States money is \$230,351. These bonds to be sold to net not less than 90. If sold at this figure they will produce \$207,315, which would leave \$74,010.20 to be made up from some other source. This difference should be made up from the sale of stock at par, and while the application does not pray for the issuance of stock, I shall recommend that applicant be directed to issue and sell 75,000 dollars of stock at par before proceeding with the work of constructing this railroad. *H.M.*

I am satisfied from the evidence that this railroad is very much needed for the purpose indicated, to-wit, primarily for the service to the borax mines of the Borax Consolidated Company, Ltd. and that it may develop into a line of considerable use to the public.

I recommend that the application be granted with the proviso that the bonds be sold at not less than 90, and that the amount of stock above named be sold at par, and that the aforementioned guarantee be duly executed, and submit herewith the following form of order:

O R D E R

Application having been made to the Railroad Commission of the State of California for an order authorizing the issue by Death Valley Railroad Company of 473 bonds of a total face value of 47,300 pounds sterling, money of Great Britain, and for an order authorizing the execution by said company of a trust deed of all of its property to secure the payment of bonds of a total face value of 82,200 pounds sterling, money of Great Britain, all of said bonds to bear interest at the rate of 5 per cent per annum, and to be payable not later than the 1st day of March, 1924,

And a public hearing having been held and it appearing to the Commission that said application should be granted under the conditions in this order set out, and that the proceeds from

the sale of the stock and bonds herein authorized to be issued are necessary for the purpose of constructing the railroad of applicant and that the said purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED by the Railroad Commission of the State of California that Death Valley Railroad Company is hereby authorized to issue 473 bonds, each of a face value of 100 pounds sterling, money of Great Britain, to bear interest at the rate of 5 per cent per annum, and to be payable over a period of ten years from March 1, 1914.

Death Valley Railroad Company is further authorized to execute a trust deed in substantially the form of the trust deed on file with the application herein, to Mechanics Trust Company of New Jersey, as trustee, conveying all of the property of said Death Valley Railroad Company as security for the payment of the principal and interest of bonds of an aggregate face value of 82,200 pounds sterling, money of Great Britain, with interest at the rate of 5 per cent per annum, said bonds to be payable in not to exceed ten years from March 1, 1914.

Death Valley Railroad Company is further authorized to issue and sell \$75,000 par value of its capital stock.

This order is made upon the following conditions:

1. The bonds herein authorized shall be sold so as to net Death Valley Railroad Company not less than 90 per cent of their face value.
2. The capital stock herein authorized to be issued shall be sold so as to net said company not less than par.
3. Before spending any money derived from the sale of the bonds herein authorized, applicant shall sell 75,000 dollars of its capital stock at par, which it is herein authorized to issue.

4. Before selling any of the bonds herein authorized Borax Consolidated Company, Ltd. shall execute a guarantee of the payment of the principal and interest of said bonds, and said guarantee shall appear upon the face of each of the bonds issued.

5. The purposes for which the money to be derived from the sale of the stock and bonds herein authorized to be issued are to be used are as follows:

a- The acquisition of property for and the construction of a narrow gauge railroad, approximately 16.95 miles in length, in the County of Inyo, State of California, connecting the Biddy McCarty borax mine with the Ryan branch of the Tonopah and Tidewater Railroad, all in accordance with the more detailed description and estimate of cost set out in the application and the exhibits attached thereto.

6. Said company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the bonds and stocks hereby authorized to be issued, and on or before the 25th day of each month the company shall make a verified report to the Commission in accordance with the Commission's General Order No. 24, stating the sale or disposition of said bonds and stock and the numbers of such bonds during the preceding month, the terms and conditions of such sale or other disposition, the moneys realized therefrom and the use and application of such moneys.

7. The authority hereby given to issue such bonds and stock shall apply only to bonds and stock issued by said company on or before the 1st day of March, 1915.

8. The payment of the ~~stipulated~~ fee prescribed in Section 57 of the Public Utilities Act shall be a condition precedent to the effectiveness 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.

