

Decision No. ✓

ORIGINAL

Decision No. 1887

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application)
 of Trona Railway Company for an)
 order authorizing the issue of) Application No. 1142
 stocks and bonds.)

Joseph K. Hutchinson,
 C. W. Slack and Chauncey S. Goodrich for applicant,
 Bert Schlesinger & R. P. Henshall; P. S. Erlich,
 and Clayberg and Whitmore for protestants.

EDGERTON, Commissioner.

OPINION

California Trona Company claims the ownership of, and is in possession of, extensive mineral deposits of potash, borax, carbonate of soda, and other salts, covering about 40,000 acres of land in the northwesterly corner of San Bernardino County, in and about what is called Searles Lake.

American Trona Corporation has a contract with California Trona Company to take certain of the products of said mineral deposits. American Trona Corporation has invested large sums of money in the development of these mineral deposits, and in order to provide adequate transportation facilities from said Searles Lake to the Southern Pacific railroad at a station called Searles, Trona Railway Company has been organized as a corporation and has built a railroad of about 51½ miles in length between these points.

American Trona Corporation has advanced all of the money for the building of this road, amounting to \$682,453.

Authority is now asked by Trona Railway Company to mortgage its property as security for the issuance of a possible \$1,000,000

of bonds, and to issue at once, \$550,000 face value of such bonds to be sold at not less than 85 per cent of par, the proceeds to be paid to American Trona Corporation in part compensation for advances, and authority is also asked for permission to issue \$150,000 par value of the capital stock of Trona Railway Company, which stock is to be taken by American Trona Corporation at par in cancellation and payment of an equal amount of advances heretofore made.

The engineers of this Commission have made a careful check of the cost of building this railroad and also of the manner of its construction, location, etc., and they report that the costs are reasonable, and the road has been well located and efficiently built.

While this road must depend primarily upon the products of the mineral deposits in and about Searles Lake, still there is no doubt that the country between this lake and the junction of this railroad with the Southern Pacific is considerably mineralized and there will probably be some traffic offered other than that which is produced by American Trona Corporation.

At the first hearing of this application, a protest was filed by persons claiming the ownership and right to possession of the mineral deposits at Searles Lake, but at the second hearing these protestants only urged that the rights of the public be considered in this matter, but they neither introduced nor offered any evidence, hence the usual consideration will be given weight in determining this matter.

I am satisfied from the evidence that this railroad has been well and economically built and that it will be efficient for the main purpose intended, to-wit, the transportation of products from Searles Lake in one direction, and the transportation of supplies, men, etc., in the other, and that in all probability sufficient traffic will be offered this road to warrant its operation. I think, however, that in view of the fact that in the event of a

failure for any cause of the Searles Lake mineral project to produce sufficient traffic to permit applicant to pay its bond interest that the purchasers of said bonds would be seriously injured, and further that the American Trona Corporation is the principal interested party in the building of this road, that this latter corporation should guarantee the payment of principal and interest of these bonds.

Herewith the following form of order:

O R D E R

Application having been made by Trona Railway Company for an order authorizing the execution of a trust deed conveying its property as security for the payment of \$1,000,000 face value of thirty-year, 5 per cent bonds, and for an order authorizing the issuance of \$550,000 face value of such bonds, and \$150,000 par value of stock, and a public hearing having been held, and it appearing to the Commission that the proceeds from the sale of said stock and bonds are reasonably necessary for the payment of the obligations of applicant, and that the proceeds from the sale of said stocks and bonds 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 Trona Railway Company is hereby authorized to execute a deed of trust conveying its property as security for the payment of the principal and interest of \$1,000,000 face value of bonds, said bonds to bear interest at the rate of 5 per cent per annum and to mature in thirty years. Said deed of trust shall be in substantially the form as set out in a copy of a proposed deed of trust, marked Exhibit "I", on file herein.

Trona Railway Company is further authorized to issue \$550,000 face value of said bonds to be sold at not less than 85 per cent of face value, the proceeds thereof to be used only for the purpose of paying off a like amount of indebtedness now owed

by Trona Railway Company to American Trona Corporation.

Trona Railway Company is further authorized to issue \$150,000 par value of its capital stock. Said capital stock to be delivered to American Trona Corporation in full payment and discharge of \$150,000 of indebtedness now owing by said Trona Railway Company to said American Trona Corporation.

Provided, the bonds hereinabove authorized shall not be issued until American Trona Corporation shall have, in writing, duly guaranteed the payment of the principal and interest of said bonds, and shall file for the approval of the Commission such guarantee.

Said company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds from the sale of the bonds and stock herein authorized to be issued, and on or before the twenty-fifth day of each month the company shall make a verified report to the Commission, stating the sale or sales of bonds or stock during the preceding month, the terms and conditions of such sale, the moneys realized therefrom and the use and application of such moneys, all as provided in this Commission's General Order No. 24.

This order, in so far as it authorizes the issue of bonds, shall not become effective until the fee prescribed in Section 57 of the Public Utilities Act, as amended, has been paid.

The authority hereby given to issue bonds and stock shall apply only to bonds and stock issued by said company on or before April 15, 1915.

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 October, 1914.

Railroad Commission State of California

Fee \$550.00

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BY H. C. MacArthur
Assistant Secretary.

H. D. Ireland
Chas. Gordon
Max Ikelin
Edwin O. Edgerton
Commissioners.