

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

In the matter of the application
of Fresno Interurban Railway Com-
pany for authority to issue stocks
and bonds.

} Application No. 1084.

Decision No. 1903

J. B. Rogers, for applicant.

LOVELAND, Commissioner.

OPINION AND THIRD SUPPLEMENTAL ORDER.

Fresno Interurban Railway Company was incorporated for the purpose of building an electric line of railway connecting Fresno and Clovis, in Fresno County, a distance of approximately nine miles. On June 4, 1914, in the matter herein, this Commission issued a preliminary order in Decision No. 1563, authorizing Fresno Interurban Railway Company to issue \$60,000 of stock, consisting of 600 shares of the par value of \$100 per share, and \$120,000 of its ten year 6 per cent first mortgage bonds, under certain conditions therein set out. Thereafter, on July 6, 1914, in Decision No. 1650, this Commission issued a supplemental order finding that the applicant had complied with certain specified conditions; and thereafter, on October 3, 1914, in Decision No. 1838, this Commission issued a second supplemental order upon the application herein, authorizing Fresno Interurban Railway Company to issue \$12,000 of stock and \$24,000 of bonds, being a part of the \$60,000 of stock and the \$120,000 of bonds which had been authorized in the preliminary order of this Commission in its Decision No. 1563.

The applicant was subsequently requested to file additional data which has since been submitted. The matter is again before the Commission for final order.

The contracting firm of Mahoney Brothers, of San Francisco, has entered into a contract with Fresno Interurban Railway Com-

pany to construct the railway line between Fresno and Clovis herein referred to, at a sum not to exceed \$145,000. Applicant has now modified its application to a request for authority to issue:

\$120,000 in bonds @ 90,	\$108,000
\$46,250 in stock @ 80 per cent of par,	<u>37,000</u>
Total,	\$145,000.

The applicant submitted a summary of costs which was set forth in this Commission's opinion in Decision No. 1563, to which reference is hereby made. This cost was estimated at \$141,620. Thereafter 10 per cent was added for contingencies.

In this summary of costs appeared the item of "Rights of way (100 feet) 100 acres @ \$300 \$ 30,000.

The applicant, following a request from this Commission, has submitted the details comprising this item of \$30,000. These details may be summarized as follows:

Promotion Services:

Mahoney Brothers,	\$12,069.35
J. B. Rogers (services and promotion)	6,000.00
Charles Teague,	300.00
J. R. Kelley	350.00
Al. Braverman	<u>350.00</u>
Total promotion	\$19,069.35

Rights of Way:

Traveling expenses, estimated damages, purchase of extra width, and sundry expenditures,	8,440.65
--	----------

Franchises, including Incidental Costs:

Fresno City,	\$ 686.00
Fresno County,	1,045.00
Clovis,	<u>759.00</u>
Total	<u>2,490.00</u>
TOTAL,	\$30,000.00

It appears further that the sum apportioned as promotion services to Mr. Rogers in the sum of \$6,000, is intended to cover payment for actual services rendered in obtaining rights of way, etc. It appears also that Mr. Rogers is to share in the promotion fees allotted in the estimates to Mahoney Brothers.

The parties chiefly interested in the affairs of this applicant have signed bonus agreements amounting to \$17,170. Applicant expressed the belief that bonus agreements would eventually be signed aggregating between \$30,000 and \$40,000. These agreements are made between Mahoney Brothers and owners of real estate along the line of applicant's railway. They provide for installment payments to Mahoney Brothers. The parties interested in these agreements have expressed the willingness that these bonuses should be held to make up any deficits that may occur in the early years of the operation of this railway. I believe that this should be done and I believe also that if any surplus remains thereafter from these bonus payments, it should be made available for the redemption of bonds which may herein be authorized.

I shall recommend that the bond and stock issue be revised to meet the revised estimate of the applicant, and believe that an issue of \$110,000 of bonds sold at 90, yielding .. \$99,000 and 580 shares of stock sold at \$80 per share, yielding .. 46,400 making a total of\$145,400 will be permissible under all of the circumstances.

As this Commission has already authorized the issue of \$24,000 in bonds and \$12,000 in stock, the present authorization will be for \$86,000 in bonds and 460 shares of stock; these amounts making a total of \$110,000 of bonds and \$58,000 par value of stock.

Accordingly I recommend the following form of order:

O R D E R

✓ Fresno Interurban Railway Company having applied to this Commission for authority to issue \$120,000 of its ten year 6 per cent bonds and 600 shares of its capital stock, of the par value of \$100. per share,

And a hearing having been held and it appearing that the purposes for which it is proposed to issue \$110,000 of said bonds and 580 shares of said stock are not in whole or in part reasonably chargeable to operating expenses or to income,

And this Commission, in its Decision No. 1838 on the application herein, having authorized an issue of \$24,000 of bonds and 120 shares of stock,

IT IS HEREBY ORDERED that Fresno Interurban Railway Company be granted authority and it is hereby granted authority to issue \$86,000 of its ten year 6 per cent bonds and 460 shares of its capital stock of the par value of \$100 per share.

The authority herein granted is granted upon the following conditions and not otherwise:

(1) The bonds herein authorized to be issued shall be issued under applicant's mortgage and deed of trust to Mercantile Trust Company of San Francisco, dated September 1, 1914, a copy of which is on file with this Commission in connection with the application herein and marked "Exhibit E".

(2) The bonds herein authorized to be issued shall be sold so as to net the applicant not less than 90 per cent of the par value thereof.

(3) The stock herein authorized to be issued shall be sold at not less than \$80 per share, or on the basis of \$80 per share, to the following named persons, partnerships and corporations for services rendered in the amount set opposite their names:

Mahoney Brothers,	\$12,069.35
J. B. Rogers,	6,000.00
Charles Teague,	300.00
J. R. Kelley,	350.00
Al. Braverman,	350.00

(4) The stock herein authorized to be issued to Mahoney Brothers, J. B. Rogers, Charles Teague, J. R. Kelley and Al. Braverman shall be issued to such parties only after the line of railway projected herein between Fresno and Clovis shall have been completed.

(5) The proceeds derived from the sale of the stock and bonds herein authorized to be issued shall be used for the construction of a line of electric railway between Fresno and Clovis, in accordance with estimates submitted by the applicant herein to this Commission as specified in the opinion in Decision No. 1563, with the exception that there shall be eliminated from said list, "Right of way, \$30,000" and "Engineering, legal and contingent, \$14,160" and there may be added to such list:

Rights of way,	\$8,440.65
Equipment,	3,800.00
Franchises,	2,490.00
J. B. Rogers, for services,	6,000.00
Charles Teague, for services,	300.00
J. R. Kelley, for services,	350.00
Al. Braverman, for services,	350.00
Promotion to Mahoney Brothers and J. B. Rogers,	12,069.35
Contingencies,	3,380.00

(6) The authority to issue stock to Mahoney Brothers, J. B. Rogers, Charles Teague, J. R. Kelley and Al. Braverman, under Section (3) of the order herein shall be alternative of the authority herein granted under Section (5) to pay said Mahoney Brothers, J. B. Rogers, Charles Teague, J. R. Kelley, and Al. Braverman

in cash from the proceeds of the stock herein authorized to be issued.

(7) Copies of all contracts involving the expenditures of \$1,000 or more, and copy of all monthly progress estimates shall be filed with this Commission.

(8) Fresno Interurban Railway Company shall file with this Commission copies of all bonus agreements which said railway or individuals interested in said railway may hereafter execute in connection with the building of this railway.

Said railway company shall also file with this Commission such bonus agreements as may have been signed on behalf of itself or individuals interested in said railway and not already filed with this Commission.

(9) The applicant herein shall file with this Commission copies of such detailed contracts as may hereafter be entered into with Mahoney Brothers for the construction of its line of railway.

(10) Fresno Interurban Railway shall file with this Commission any contract into which it may enter for the sale or disposition of its stocks and bonds herein authorized or heretofore authorized by this Commission.

(11) Fresno Interurban Railway shall file with this Commission a copy of such contract as it may make with any other railway for the operation of its line of railway.

(12) The authority herein granted is granted upon the condition that all moneys paid to applicant under bonus agreements heretofore executed or hereafter executed in connection with the construction of its line of railway from Fresno to Clovis shall be placed in a special fund; and on the further condition that all bonus agreements for the payment of money to Mahoney Brothers, J. B. Rogers or other parties interested in this railway, in connection with the construction of its line of railway from Fresno

✓ to Clovis shall either be assigned to the applicant herein or that the money received by said Mahoney Brothers, J. B. Rogers, or other parties interested in this railway from bonus agreements heretofore signed or which may hereafter be executed, in connection with the building of this line of railway between Fresno and Clovis shall be paid into a special fund to be held either in escrow or in the name of this applicant.

It is further made a condition of this order that the moneys which shall be paid into the fund or funds mentioned in this section shall be used either for the purpose of making up any amount which this railway may fail to earn for the payment of its operating expenses, proper maintenance, taxes and bond interest. If, after three years, the annual earnings of applicant are sufficient to pay its operating expenses, proper maintenance, taxes and bond interest, any surplus remaining in said fund shall be held as a sinking fund for the redemption of bonds herein authorized to be issued.

(13) Fresno Interurban Railway 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 stock hereby authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Commission stating the sale or sales of said bonds and stock during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

✓ (14) The authority herein granted shall apply to such
and to such bonds
stock/as shall have been issued on or before October 20, 1915.

(15) The authority herein granted is conditioned upon the payment by the applicant of the fee prescribed under the Public Utilities Act.

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

Dated at San Francisco, California, this 23rd day of October, 1914.

H. B. Ireland

Max Thelen

Edwin O. Edgerton
Commissioners.