

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of California Southern Railroad Company for an order authorizing the issue of stock and bonds.

} Application No. 1790.

GORDON, Commissioner.

First Supplemental Opinion

This Commission has heretofore, on September 4, 1915, issued an order (Decision No. 2743) authorizing the applicant herein to issue \$350,000 face value of its first mortgage 6 per cent bonds, \$400,000 face value of its second mortgage 6 per cent bonds and 3600 shares of its capital stock for the construction of its proposed railroad from Blythe Junction to Blythe, upon conditions therein specified.

These conditions provided that the applicant should submit to this Commission a statement of its plan to meet interest during the first two or three years after completion of said railway; a copy of its contracts for the construction of said railway and a statement of bonuses paid or to be paid.

It was further provided that all such bonuses or grants, unless otherwise authorized by this Commission, should be made payable or assigned to the applicant.

California Southern Railroad Company has now filed with this Commission the data and information required in said order (Decision No. 2743) and requests a supplemental order from this Commission approving its contracts for the construction of its railway; approving its proposed deeds of trust;

and authorizing it to issue forthwith sufficient securities to make payments now due to the Blythe Construction Company under the terms of its proposed contract for the construction of its railway.

The contract provides that the entire road, forty-three miles, between Blythe Junction and Blythe, shall be of standard gauge and built and equipped in accordance with the estimate filed by the contractor, copy of which has also been filed with the Commission, for the sum of \$677,250. The contract contains the provision that if changes are to be made diminishing or increasing the quantity or extent of the work covered in the contract, the amount payable to the contractor shall then be diminished or increased proportionately and in accordance with the prices specified in the contractor's estimate referred to.

Payment is to be made to the contractor at the option of the railroad company, in lieu of cash in securities of the railroad company, as follows:

"(1) Stock of the par value of One Hundred (\$100) Dollars per share at Eighty (\$80) Dollars per share, not exceeding, however, in all, an amount in excess of 10 per cent of the total contract price.

"(2) First Mortgage Six Per Cent Gold Bonds, (the issue thereof to be limited to Three Hundred Fifty Thousand (\$350,000) Dollars at 80 per cent of the par or face value thereof, in an amount not less than \$6,000 in par value per mile, to be delivered as the construction work progresses, as provided in Paragraph Ten hereof.

"(3) Second Mortgage Six Per Cent Gold Bonds, (the issue thereof to be limited to Four Hundred Thousand (\$400,000) Dollars at 80 per cent of the par or face value thereof, in an amount not less than \$5,500 in par value per mile, to be delivered as the construction work progresses, as herein provided in Paragraph Ten hereof."

It is also provided in the contract that in the event said bonds be taken in lieu of cash, the contractor agrees to accept for the interest coupons attached thereto becoming due prior to three years from the date thereof, bonds of the same class and at the same percentage of par value. No authorization for the issue of bonds to pay interest accruing subsequent to the completion of construction is herein given.

The applicant has filed with this Commission an assignment of all bonus agreements from the Blythe Construction Company to the California Southern Railroad Company. These bonuses will therefore be payable for the benefit of the railway enterprise.

The applicant proposes to execute two deeds of trust; one to secure \$350,000 face value of first mortgage bonds and the other to secure \$400,000 face value of second mortgage bonds.

I believe the applicant has made a showing upon which this Commission should issue a further order providing for the issue of the stocks and bonds as herein requested. Accordingly I submit the following form of order:

#### Second Supplemental Order

California Southern Railroad Company having applied to this Commission for authority to issue stocks and bonds as specified in the foregoing opinion, and a hearing having been held and it appearing that the purposes for which it is proposed to issue said stock and said bonds are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that California Southern Railroad Company be granted authority and it is hereby granted authority to issue \$350,000 face value of its first mortgage 6 per cent bonds; to issue \$400,000 face value of its second mortgage 6 per cent bonds; and to issue \$360,000 par value of its capital stock.

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

(1) The bonds herein authorized to be issued shall be sold so as to net the applicant not less than 80 per cent of the face value plus the accrued interest thereon.

(2) \$285,000 par value of the stock herein authorized to be issued shall be sold so as to net the applicant not less than 80 per cent of the par value thereof.

(3) \$75,000 par value of the stock herein authorized to be issued may be issued to J. M. Neeland for services rendered in connection with the organization and promotion of California Southern Railway; \$37,500 par value of said stock to be issued forthwith and the balance of \$37,500 to be issued to said J. M. Neeland after the applicant herein shall have completed its line of railway from Blythe to Blythe Junction.

(4) The proceeds to be derived from the sale of the stock and bonds herein authorized to be issued shall be used for the following purposes:

(a) For the construction of applicant's line of railway from Blythe to Blythe Junction, in Riverside County, in accordance with the contract between the applicant herein and Blythe Construction Company, a copy of which has been filed with this Commission and marked Exhibit "A".

(b) For such other purposes in connection with the construction of applicant's line of railway as may hereafter be authorized by this Commission.

(5) The applicant herein shall keep accurate and complete accounts in accordance with the classification as prescribed by the California Railroad Commission for steam railroads, and periodical payments to the contractor shall be made only upon detailed estimates furnished by the contractor.

(6) The stocks and bonds herein authorized to be issued shall be issued in such ratio and in such proportions that

the par value of the stock outstanding shall at no time be less than 25 per cent of the face value of the bonds issued and outstanding under this order.

(7) It is further ordered that the applicant be granted authority and it is hereby granted authority to execute a deed of trust to secure its proposed issue of \$350,000 of its first mortgage bonds and to execute a deed of trust to secure its issue of \$400,000 of second mortgage bonds; said deeds of trust to be substantially in the form of copies of said deeds of trust filed in connection with this application and marked Exhibits "A" and "B" respectively.

(8) The approval herein given of said mortgages is for the purpose of this proceeding only, and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said mortgages as to any other legal requirements to which said mortgages may be subject.

(9) California Southern Railroad Company shall keep separate, true, and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the stocks and bonds 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 stocks and bonds 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.

(10) The authority herein given shall apply to such stock and to such bonds as shall have been issued on or before December 31, 1916.

(11) The authority herein granted to issue stock and bonds is conditioned upon the payment by the applicant of the fee prescribed under the Public Utilities Act.

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

Dated at San Francisco, California, this 19th day of November, 1915.

Railroad Commission State of California  
NOV 29 1915  
BY: [Signature]  
Assistant Secretary

[Signature]  
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[Signature]  
[Signature]

Commissioners.