

Decision No. ✓

ORIGINAL

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA.

Decision No. 3137

In the Matter of the Application)
of MOULTON IRRIGATED LANDS COM-)
PANY, a corporation, for author-)
ity to create a bonded indebted-)
ness of \$350,000.00 and to issue)
bonds secured by mortgage or deed)
of trust upon certain of its real)
property.)

Application No. 2086.

Thomas E. O'Donnell, for applicant.
Cushing & Cushing and E. E. Richter, of Counsel.

LOVELAND, Commissioner.

O P I N I O N

This is an application of Moulton Irrigated Lands Company for authority to mortgage 16,000 acres of land located in Colusa, Glenn and Sutter Counties as security for an issue of \$350,000.00 of six per cent First Mortgage Gold Bonds.

Moulton Irrigated Lands Company was incorporated on August 6, 1910. It is the owner of approximately 18,000 acres of land, located, for the most part, in Colusa County, and it is engaged primarily in the business of cultivating, developing, renting and selling these lands.

It has an authorized capital stock issue of 50,000 shares of the par value of \$10.00 per share, of which 35,000 shares have been issued and sold at par. Applicant has no preferred stock and has paid no dividends.

At the present time the Company has an authorized issue of \$250,000.00 of six per cent ten-year serial gold

bonds secured by deed of trust to First Federal Trust Company of San Francisco, dated December 15, 1912. The execution of this mortgage and the issue of bonds thereunder was authorized by this Commission in Decision No. 431, dated January 30, 1913, (Vol. 2 Opinions and Orders of the Railroad Commission of California, page 128). Of the \$250,000.00 of bonds issued under authority of said decision, \$175,000.00 are now outstanding.

Applicant's other liabilities at the present time consist of notes payable in the sum of \$296,000.00 and accounts payable in the sum of \$39,323.64.

In this application, Moulton Irrigated Lands Company is asking for authority to execute a new trust deed to First Federal Trust Company of San Francisco, increasing its bonded indebtedness to \$350,000.00 and to issue \$350,000.00 of 6 per cent bonds thereunder at not less than 95 per cent of their face value and accrued interest. The property mortgaged under said trust deed will be practically the same as that mortgaged to secure the Company's present bond issue. The bonds to be issued thereunder will be of the denomination of \$1000.00 each. They will be dated January 15, 1916, and will mature serially as follows:

Nos. 1 to	30	both inclusive,	January 15, 1920
" 31 "	60	" "	January 15, 1921
" 61 "	90	" "	January 15, 1922
" 91 "	120	" "	January 15, 1923
" 121 "	150	" "	January 15, 1924
" 151 "	180	" "	January 15, 1925
" 181 "	350	" "	January 15, 1926

Bonds are redeemable upon six months notice at 105 and accrued interest, provided that not less than \$30,000.00 face value of bonds are redeemed at any one time.

The trust deed provides that lands may be released from the lien of the indenture upon payment to the trustee of such sums as may be fixed by an appraiser or appraisers, but

in no case less than \$50.00 per acre. Provision is also made whereby lands may be released after January 15, 1920, in case the remaining lands, exclusive of personal property, water-rights, etc. are in value at least three times the face value of the outstanding bonds.

Out of the proceeds from the sale of \$350,000.00 of bonds herein applied for, applicant proposes:

- (a) To retire the \$175,000.00 of bonds now outstanding under its old mortgage;
- (b) To retire a one-year mortgage note, dated July 12, 1915, payable to Colusa County Bank in the principal sum of \$10,000.00 and bearing interest at 7 per cent per annum;
- (c) To retire the following notes:

Payee	Date	Date of Maturity	Int.	Principal
Bank of California	Oct. 31, 1915	Jan. 31, 1916	6%	\$ 30,000.00
Bank of Watsonville	May 20, 1915	Aug. 20, 1916	7%	10,000.00
First National Bank of San Francisco	Dec. 14, 1915	Jan. 14, 1916	6%	25,000.00
Bank of Hollister	May 24, 1915	Aug. 24, 1915	7%	5,000.00
"	June 11, 1915	Sept 11, 1915	7%	5,000.00
"	Oct. 17, 1915	Jan. 17, 1916	7%	22,500.00
"	Nov. 1, 1915	Feb. 1, 1916	7%	10,000.00
"	Nov. 1, 1915	Feb. 1, 1916	7%	10,000.00
Total				\$117,500.00

- (d) To pay \$10,000.00 on a note in the total principal sum of \$50,000.00 held by Watsonville Savings Bank, dated June 10, 1913, matured January 10, 1914, and bearing interest at 6 per cent per annum;
- (e) To pay \$20,000.00 on applicant's open account with Ausaymas Ranch Company, the total amount of said account being the sum of \$22,162.97.

Applicant desires to pay off the mortgages under "a" and "b" above in order that the \$350,000.00 of bonds which it proposes to issue may be a first lien upon the property.

Witness for applicant testified that the indebtedness which it is proposed to pay out of the proceeds of the bond issue had been incurred in the purchase of land and in making improvements thereon.

In its application Moulton Irrigated Lands Company stated that it did not regard itself as a public utility but applied to the Railroad Commission for authority to issue bonds because First Federal Trust Company of San Francisco, trustee under its proposed bond issue, required that it obtain an authorization from the Railroad Commission before it would accept the trust.

It appears that applicant is furnishing water to certain lessees of its land under contract, and while it makes no direct charge for water it nevertheless receives a larger rental from the land because of the fact that it furnishes the water necessary for the cultivation of such land.

I am of the opinion that under the terms of the Public Utilities Act this Company is a public utility and that the Commission may assume jurisdiction in this matter.

Evidence was presented to show that the value of the property proposed to be mortgaged is greatly in excess of the proposed bond issue of \$350,000.00. The President of the Company testified that the majority of this land may be reasonably appraised at \$50.00 per acre.

I recommend that the application herein be granted and submit the following form of Order:

O R D E R

MOULTON IRRIGATED LANDS COMPANY having applied to this Commission for an order authorizing the execution of a mortgage in the sum of \$350,000.00 to First Federal Trust Company of San Francisco

Trustee, and for authority to issue bonds thereunder in the total sum of \$350,000.00.

And a hearing having been held;

And it appearing to this Commission that the purposes for which it is proposed to issue said bonds are not reasonably chargeable in whole or in part to operating expenses or to income;

IT IS HEREBY ORDERED that Moulton Irrigated Lands Company be and it is hereby authorized to execute a mortgage to First Federal Trust Company of San Francisco substantially in the same form and tenor as the mortgage submitted in connection with the application herein and marked Exhibit "B".

IT IS HEREBY FURTHER ORDERED that Moulton Irrigated Lands Company be and it is hereby authorized to issue \$350,000.00 face value of Six Per Cent First Mortgage Gold Bonds.

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

1.-The bonds herein authorized shall be sold so as to net applicant not less than 95% of their face value and accrued interest.

2.-The proceeds from the sale of said bonds shall be used for the following purposes:-

(a)-To retire the \$175,000.00 of bonds now outstanding under its old mortgage.

(b)-To retire a one year mortgage note dated July 12, 1915 payable to Colusa County Bank in the principal sum of \$10,000.00 and bearing interest at 7% per annum.

(c)-To retire the following notes:

<u>Payee</u>	<u>Date</u>	<u>Date of Matur- ity</u>	<u>Int.</u>	<u>Principal</u>
Bank of California	Oct. 31, 1915	Jan. 31, 1916	6%	\$ 30,000.00
Bank of Watsonville	May 20, 1915	Aug. 20, 1916	7%	10,000.00
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Bank of Hollister	Nov. 1, 1915	Feb. 1, 1916	7%	10,000.00
Total				\$117,500.00

(d)-To pay \$10,000. on a note in the total principal sum of \$50,000.00 held by Watsonville Savings Bank, dated June 10, 1913, matured January 10, 1914, and bearing interest at 6% per annum.

(e)-To pay \$20,000. on applicant's open account with Ausaymas Ranch Company, the total amount of said account being the sum of \$22,162.97.

3.-The approval herein given of said mortgage 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 mortgage as to such other legal requirements to which said mortgage may be subject.

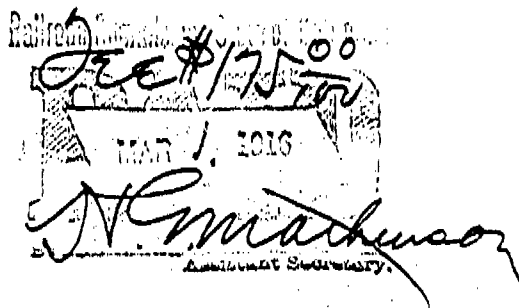
4.-Moulton Irrigated Lands Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the bonds herein authorized to be issued; and on or before the twenty-fifth day of each month the company

shall make verified reports to the Commission stating the sale or sales of said bonds 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.

5.-The authority herein given to issue bonds shall apply only to bonds issued by applicant on or before March 31, 1917.

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

Dated at San Francisco, California, this 29th day of February, 1916.



Max Thelen
H. H. Howard
Edwin O. Edgerton
Francis R. DeVin
Commissioners.

Balance:
FEE PAID ON ORIGINAL APPLICATION
No. 353 Decision No. 431
Dated 20th of Jan 1917.
N. Matheson
Assistant Secretary,
Railroad Commission State of California.