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Decision No. ✓.

ORIGINAL

Decision No. 3328

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA.

In the matter of the application
of MODESTO INTERURBAN RAILWAY, a
corporation, for order authoriz-
ing it to issue certain promis-
sory notes and to mortgage cer-
tain terminal property in the
City of Modesto.

Application

No. 2132.

L. L. Dennett for Applicant.

BY THE COMMISSION.

O P I N I O N

This is an application of MODESTO INTERURBAN
RAILWAY, a corporation, for authority to issue promis-
sory notes as follows:

<u>Payable</u>	<u>Payee</u>	<u>Principal</u> <u>Sum</u>	<u>Interest</u>
On or before	Union Savings		
12 months.	Bank of Modesto	\$ 4,000.00	Not to exceed 6%
One year	T. K. Beard	<u>\$ 8,423.32</u>	Not to exceed 7%
Total ... \$12,423.32			

Applicant also desires to mortgage its terminal

properties in the City of Modesto as security for the note in the sum of \$4,000. payable to Union Savings Bank of Modesto.

Applicant is the owner of a line of railway extending from the City of Modesto to the Town of Empire, Stanislaus County. At the present time its line is leased to Modesto and Empire Traction Company for an annual rental of \$1,200. The Company's balance sheet for June 30, 1915, as filed with the Commission is as follows:

Resources

First National Bank	\$ 110.80
Modesto & Empire Traction Co. ...	1,689.02
Right of Way	11,450.78
Terminal Grounds	10,345.14
Buildings	2,926.07
Sub-station Equipment	1,664.37
Roadbed & Track	12,805.50
Rails	19,930.04
Ties	9,226.48
Bridges & Culverts	19,851.85
Crossings & Signs	40.50
Telephone Line	79.20
Track Laying	429.34
Grading	113.40

Liabilities

Capital Stock	\$72,650.00
Bills Payable	5,200.00
T. K. Beard	12,974.05
L. L. Dennett	25.00
W. A. Cooper	178.30
Shell Company	329.01

Loss and Gain

	693.87	
	<u>\$91,356.36</u>	<u>\$91,356.36</u>
Deficit June 30, 1914,		1,321.33
Income for year ending June 30, 1915:		
Road Rental 12 months @ \$100.	1,200.00	
Expense for year ending June 30, 1915:		
Miscellaneous	\$ 4.00	
Taxes	231.99	
Interest	336.55	
	<u>572.54</u>	<u>627.46</u>
		693.87

On March 8, 1912, Modesto Interurban Railway executed a demand note payable to First National Bank of Modesto in the total principal sum of \$10,000. bearing interest at eight per cent. per annum. This note was secured by the personal endorsement of the directors of Modesto Interurban Railway, and was also secured by \$5,000. face value of irrigation bonds belonging to T. K. Beard, president of Modesto Interurban Railway. The proceeds from this note were used by the railway company in acquiring rights-of-way and constructing terminal facilities. As interest accrued upon the note it was paid by Mr. Beard and when the First National Bank of Modesto finally demanded payment of the principal the necessary moneys were advanced by Mr. Beard. The note was cancelled on February 8, 1916.

Applicant now desires to issue a note to Union Savings Bank of Modesto in the sum of \$4,000. and to use the proceeds in repaying a portion of the advances made by Mr. Beard. The balance of the advances it is proposed to repay by issuance of the railway company's promissory note directly to Mr. Beard. These advances have heretofore been held on the company's books as open accounts.

After consideration of the evidence submitted by applicant, we are of the opinion that this application is reasonable and should be granted, subject to the terms of the following Order.

O R D E R

MODESTO INTERURBAN RAILWAY having applied to this Commission for authority to issue promissory notes in the total sum of \$12,423.32 and for authority to mortgage certain property in the City of Modesto, as hereinbefore set forth;

And a public hearing having been held, and it appearing to this Commission that applicant's request is reasonable and should be granted, and that the purposes for which it is proposed to issue \$10,000. face value of said notes are not reasonably chargeable in whole or in part to operating expenses or to income, and that the purposes for which it is proposed to issue \$2,423.32 face value of said notes are properly chargeable to income;

IT IS HEREBY ORDERED that Modesto Interurban Railway be, and it is hereby, authorized to issue its promissory notes as follows:

<u>Payable</u>	<u>Payee</u>	<u>Principal</u> <u>Sum</u>	<u>Interest</u>
On or before	Union Savings		
12 months.	Bank of Modesto	\$4,000.00	Not to exceed 8%
One year	T. K. Beard	<u>8,423.32</u>	Not to exceed 7%
Total ...		\$12,423.32	

IT IS HEREBY FURTHER ORDERED that Modesto Interurban Railway be, and it is hereby, authorized to mortgage the following described property as security for the above mentioned note in the sum of

\$4,000. payable to Union Savings Bank of Modesto:

"Lots 17 to 32, inclusive, in Block 78;
Lots 17 to 32, both inclusive, in Block 79;
and Lots 17 to 32, both inclusive, in Block
80, all in the City of Modesto, County of
Stanislaus and State of California, accord-
ing to the official map or plat of said
town, now on file and of record in the of-
fice of the County Recorder of the County of
Stanislaus."

The authority herein granted is granted up-
on the following conditions, and not otherwise:

1. The notes herein authorized to be issued
shall be issued so as to not applicant not less than
their face value.

2. The proceeds from the notes herein au-
thorized to be issued shall be used solely for the
purpose of repaying T. K. Beard for moneys advanced
by him and used by Modesto Interurban Railway in pay-
ing principal and interest on its promissory note dat-
ed March 8, 1912, to First National Bank of Modesto in
the sum of \$10,000.

3. The sum of \$2,423.32 of the note herein
authorized to be issued to Mr. T. K. Beard shall not
be permanently capitalized but within such period of
time as this Commission may direct shall be paid off
and discharged by applicant either out of its earnings
or by an assessment on its capital stock.

4. Modesto Interurban Railway shall keep
separate, true and accurate accounts showing the re-
ceipt and application in detail of the proceeds of the

sale of the notes 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 notes 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 granted is conditioned upon the payment by applicant of the fee prescribed in the Public Utilities Act as amended.

6. The authority herein granted to issue notes and mortgage property shall apply only to such notes as shall have been issued and such property as shall have been mortgaged on or before October 31, 1916.

Dated at San Francisco, California, this 12th day of May, 1916.

Revised Commission State of California

Revised
JUN 28 1916

BY

W. M. Johnson
Assistant Secretary

Max J. Heller
H. D. Loveland

Frank R. DeBruin

Commissioners.