

Decision No. 3393

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BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of)	
STOCKTON TERMINAL & EASTERN RAILROAD)	
COMPANY for an order authorizing the)	Application No. 2236.
renewal of four notes of \$1,000.00)	
each and to pledge certain bonds.)	

J. A. Nesbitt for applicant.

BY THE COMMISSION.

O P I N I O N.

The application, as amended, of Stockton Terminal & Eastern Railroad Company, a corporation engaged in the business of constructing and operating a commercial railroad in Stockton, San Joaquin County, easterly toward Jenny Lind in Calaveras County, requests an order authorizing it to renew four certain promissory notes as set forth in the order following this opinion and authority to pledge \$2.00 par value of applicant's bonds as security for each \$1.00 face value of notes so issued or renewed.

A public hearing was held in Stockton May 24, 1916. From the evidence it appears that applicant's articles of incorporation authorize a capital stock of \$600,000.00, divided into 6,000 shares of the par value of \$100.00 each. Of this stock, 2,639 shares are issued and outstanding. Applicant on April 1, 1911, executed to Mercantile Trust Company of San Francisco as trustee a first mortgage deed of trust covering all the property then owned by

applicant, or to be acquired by it during the life of said deed of trust, to secure a bond issue of \$500,000.00 of 6% bonds, of which \$84,400.00 face value have been issued and sold by applicant. In addition, \$2,500.00 face value of bonds have been subscribed for but have not been issued. A total of \$877.06 has been paid on account of said \$2,500.00 face value of bonds but there appears to be little prospect of the balance being paid. Moreover, under the terms of the subscription agreements, the subscribers have the option of demanding the return of their part payments less the selling expenses upon cancelling their subscriptions. Applicant further has the following notes outstanding, secured by a total of \$64,500.00 face value of its bonds:

<u>Date.</u>	<u>Payee.</u>	<u>Amount.</u>
7/25/12	Andrew McCormick and F. J. Dietrich	\$5,500.00
7/25/12	Andrew McCormick and E. F. Davis	5,500.00
7/25/12	Stockton Savings & Loan Society	5,500.00
10/ 8/12	Andrew McCormick, E. F. Davis and F. J. Dietrich	5,500.00
7/25/12	First National Bank of Stockton	5,000.00
5/16/13	Farmers and Merchants Bank of Stockton	500.00
5/16/13	Commercial and Savings Bank of Stockton	1,000.00
5/16/13	Stockton Savings Bank	1,000.00
5/16/13	Union Safe Deposit Bank	1,000.00
5/16/13	San Joaquin Valley Bank	1,000.00
	American Engineering Corporation	<u>1,006.35</u>
	Total.....	\$32,506.35

Suit has been brought for the collection of the first five notes above set forth, of the total face value of \$27,000.00, and for the foreclosure and sale of the \$54,000.00 face value of bonds securing the same.

Applicant has in addition the following outstanding unsecured notes:

<u>Date.</u>	<u>Payee.</u>	<u>Amount.</u>
<u>1913</u> - Sept. 10	Southern Pacific Co.....	\$ 885.58
Oct. 19	The United Investment Co.....	1,600.00
<u>1914</u> - Jan. 7	The United Investment Co.....	1,450.00
Jan. 21	The United Investment Co.....	300.00
Apr. 1	H. J. Coffill (The United Invest- ment Co.).....	400.00
May 19	Julius Heyman Co.....	548.62
Aug. 12	The United Investment Co.....	1,500.00
<u>1915</u> - Apr. 1	A. A. Grant.....	298.46
June 15	John Beretta.....	100.00
July 8	J. W. Willy.....	100.00
July 15	J. Bonicalzi.....	20.00
July 15	R. Evans.....	50.00
Aug. 3	Harry Coffill.....	210.00
<u>1916</u> - Jan. 8	E. P. Foltz.....	275.00
Feb. 14	Southern Pacific Co.....	739.66
Feb. 14	Southern Pacific Co.....	800.00
Feb. 26	The United Investment Co.....	650.00
Feb. 26	The United Investment Co.....	3,006.58
Apr. 4	J. H. Dorman.....	427.40
Total.....		\$13,361.30

Applicant also owes a total of \$10,592.80 to a large number of creditors upon outstanding accounts.

In October, 1915, applicant levied a 10% assessment upon its outstanding stock and in November, 1915, it levied another stock assessment of the same amount. Of the \$52,780.00 due upon these two assessments only about \$17,000.00 had been paid, up to May 1, 1916. Applicant has instituted suits against a number of its stockholders and expects to collect an additional \$23,000.00 from the assessments, but this seems to us altogether too high an estimate.

Applicant submitted a statement of the following payments made from the proceeds of the assessments:

On secured notes.....	\$ 500.00
On unsecured notes.....	1,574.14
On indebtedness to The United Investment Co.....	4,206.58
On various small accounts.....	5,157.52
Cashing pay checks incurred in opera- ting.....	2,806.45
Payment on account of right of way (to Amelia Rosenbuth).....	507.76
2 additional notes and interest.....	207.60
Sundry bills.....	176.10
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Total.....	\$15,136.15

It further appears that applicant's earnings, as well as its general finances, are in a most unsatisfactory condition; and if this were an application for authority to issue notes for any other purpose than to renew existing notes we should be disinclined to grant it. Considering the fact, however, that these notes were originally issued in 1913 for capital expenditures and that the bonds securing the same were pledged under the authority of the Commission, we feel that the payees should not be prevented from having their notes renewed by applicant, provided, with full knowledge of the facts, they desire such renewals.

O R D E R.

STOCKTON TERMINAL AND EASTERN RAILROAD COMPANY having applied to the Railroad Commission of the State of California for an order authorizing the issue of four notes of the face value of \$1,000.00 each for the purposes of renewing the notes hereinafter set forth and for authority to pledge certain bonds as security therefor, and a public hearing having been held on said application, and the Commission finding that for the reasons set forth in the foregoing Opinion the application should be granted, subject to the conditions hereinafter specified,

IT IS HEREBY ORDERED that Stockton Terminal and Eastern

Railroad Company be and the same is hereby authorized to issue its four promissory notes of the face value of \$1,000.00 each, bearing interest at the rate of 6% per annum, for the purpose of renewing the following notes:

<u>Date.</u>	<u>Payee.</u>	<u>Rate of Interest.</u>	<u>Amount</u>
<u>1913</u>			
May 16	Commercial Savings Bank of Stockton	6%	\$1,000.00
May 16	Stockton Savings Bank	6%	1,000.00
May 16	Union Safe Deposit Bank	6%	1,000.00
May 16	San Joaquin Valley Bank	6%	<u>1,000.00</u>
Total.....			\$4,000.00

IT IS HEREBY FURTHER ORDERED that Stockton Terminal and Eastern Railroad Company be and the same is hereby authorized to pledge as collateral security for the notes herein authorized to be issued its first mortgage 6% 30-year gold bonds now securing the notes to be renewed, upon such a basis that the security shall never exceed \$2.00 face value of bonds for each \$1.00 face value of said notes issued and outstanding.

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

1. Stockton Terminal and Eastern Railroad Company shall issue said notes so as to net not less than the face value thereof.

2. Stockton Terminal and Eastern Railroad Company is hereby authorized during the period of one year from the date of this order to issue notes in renewal of those herein authorized, and to pledge said bonds as collateral security therefor in the same amounts and under the same conditions as above set forth, provided, that the combined terms of the notes hereby authorized and those issued in renewal thereof, respectively, shall not exceed one year from July 1, 1916.

