

ORIGINAL

Decision No. 1184

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA

In the Matter of the Application)
of PATTERSON & WESTERN RAILROAD) Application No. 2785
COMPANY for an order authorizing)
the issue of capital stock.)

Hiram W. Johnson, Jr., for Applicant.

BY THE COMMISSION.

OPINION

This is an application by Patterson & Western Railroad Company for authority to issue all of its authorized capital stock consisting of 150,000 shares of the par value of \$1.00 each, to Mineral Products Company, a corporation organized and existing under the laws of the State of Nevada, with its principal office and place of business in Honolulu, T. H.

A public hearing was held in San Francisco, March 10th, 1917, before Examiner Bancroft.

From the testimony it appears that Patterson & Western Railroad Company, hereinafter designated and referred to as the "Railroad Company", was incorporated under the laws of the State of California in September, 1915, for the purpose, among others, of constructing a railroad from the Town of Patterson westerly for a distance of approximately 25 miles terminating in Section 27, Township 6 South, Range 5 East (M.D.B. & M.). At

the time of its organization, one share was issued at par to each of the three incorporators of the Railroad Company, leaving 149,997 shares of applicant's stock still unissued.

Rights of way were obtained by condemnation, purchase, or donation, for the entire length of the railroad, about seven miles of which traverses the lands of the Mineral Products Company. The Railroad Company does not, however, own the terminals at either end of its line, both of which belong to the Mineral Products Company. The road is to be operated as a common carrier, although its primary object will be to serve the Mineral Products Company, which owns and operates mineral bearing property in this territory.

Instead of running the line along the county road from Patterson to the foothills, it was considered advisable to eliminate the danger of accidents by purchasing a private right of way adjoining the road. A strip 30 feet wide and 2 miles in length was, accordingly, purchased from various owners. The actual work of grading was commenced in January, 1916, and the entire construction of the road has now been completed, except for a portion of the "Y" at the westerly terminal, and a small amount of ballasting.

The road, as constructed, consists of a narrow gauge (36 inch) line, 23.6 miles in length, running from the Town of Patterson, Stanislaus County, westward to Jones Station, with a 25 lb. rail, except for certain portions of the road, aggregating about 8 miles, where a

35 lb. rail is used.

The principal items of the present equipment are two 18-ton Shay locomotives, one 7-ton Milwaukee gasoline locomotive, fourteen 10-ton flat cars, four 10-ton box cars, and ten Roger ballast cars - all equipped with air brakes, patent couplers and safety devices. The company also has a gasoline track automobile. Water tanks have been installed, as well as a fuel station and a telephone line running the entire length of the road.

The Railroad Company has submitted a financial statement as of March 1st, 1917, as follows:

	<u>Db.</u>	<u>Cr.</u>
Expenditures, road and equipment		\$241,518.19
Amount received from Mineral Products Company to March 1st, 1917	\$240,597.05	
Received from sale of capital stock to directors	3.00	
Due N. B. Livermore and Company	60.00	
Due J. Jorgenson	900.00	
Due W. C. Peall	260.00	
Cash on hand		301.86
Totals	\$241,820.05	\$241,820.05

Since March 1st, the amounts due to J. Jorgenson and W. C. Peall have been paid by the Railroad Company.

Applicant has also submitted an itemized statement of the cost of its road and equipment, as follows:

Engineering	\$ 17,036.82
Right of Way	3,184.94
Organization Expenses	501.48
General Officers and Clerks	5,070.82
Do at Patterson	5,886.71
Stationery and Printing	160.99
Do at Patterson	725.47
Freight Train Cars	12,050.06
Roadway Buildings	74.91
Culverts	3,446.84
Forward	<u>48,139.04</u>

Brought Forward	48,139.04
Station and Office Building	1,044.26
Shop and Engine House	731.68
Telephone Line	1,522.99
Crossings and Signs	259.55
Grading	63,064.70
Law	501.75
Right of Way Fences	234.70
Tracklaying and Surfacing	17,481.37
Bridges	9,435.76
Rails	47,195.47
Trestles	3,388.32
Gasoline Locomotives	3,340.89
Steam Locomotives	10,832.39
Roadway Small Tools	672.22
Other Track Material	7,702.51
Operating Exp. during Construction	4,309.97
Other General Expenses	323.21
Do at Patterson	1,589.04
Taxes	721.93
Ties	11,134.18
Fuel Stations	1,090.16
Water Stations	893.76
Miscellaneous Equipment	
Unapplied Construction Material	1,005.39
Signals	14.82
Roadway Machines	1,160.23
Ballasting	3,723.65
Shop and Machinery Tools	4.25
Total	\$241,518.19

Applicant now desires to issue its 150,000 shares of capital stock to Mineral Products Company in the discharge of \$150,000.00 of its debt to said Company, which was incurred for cash advanced for the construction and equipment of said road, which would leave \$90,597.05 still due from applicant to said Mineral Products Company in addition to any moneys that may have been advanced by said Company to applicant since March 1st, 1917. Except for its small current bills and \$60.00 due to Norman B. Livermore Company, applicant has no mortgage or indebtedness of any kind, excepting that due the Mineral Products Company, from which Company applicant received all the

money required for the construction and equipment of its road, with the exception of \$3.00 received from the sale of stock to the incorporators.

According to the testimony, ^{the} officers of ~~the~~ Mineral Products Company have no intention of selling or otherwise disposing of any of applicant's stock.

As applicant has already issued three shares of its capital stock, we can authorize it to issue only 149,997 more; but subject to this modification, we feel that the application should unquestionably be granted. Applicant will then be in the position of having its road built, equipped, and in actual operation free from any bonded or other indebtedness of any kind, excepting its open account to the owner of practically all of its capital stock.

ORDER

PATTERSON & WESTERN RAILROAD COMPANY having applied to this Commission for an order authorizing it to issue 150,000 shares of its capital stock, of the par value of \$1.00 per share, for the purpose of discharging \$150,000.00 of its indebtedness to Mineral Products Company, a corporation, and a public hearing having been held, and it appearing that said indebtedness to said Mineral Products Company has been incurred, and that the proceeds thereof have been expended by applicant, for the acquisition of property and for the construction and improvement of its facilities, and that the said indebted-

ness was not incurred for, and the proceeds thereof were not devoted to, uses in whole or in part reasonably chargeable to operating expenses or to income, and that the application should be granted as to all of applicant's unissued stock,

IT IS HEREBY ORDERED that Patterson & Western Railroad Company be, and the same is hereby, authorized to issue to Mineral Products Company, a corporation organized under and by virtue of the laws of the State of Nevada, with its principal place of business in Honolulu, T. H., 149,997 shares of its capital stock, of the par value of \$1.00 per share, in discharge of \$149,997.00 of its indebtedness to said Mineral Products Company. The authority herein granted is granted subject to the following conditions, and not otherwise.

1. The stock herein authorized to be issued shall not be issued after September 1st, 1917.

2. Patterson & Western Railroad shall keep a true and accurate record of the issue of said stock, and shall, on or before the 25th day of each month, make a verified report to this Commission, stating the sale or sales of said stock during the preceding month, the terms and condition 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.

Dated at San Francisco, California, this 16th
day of March, 1917.

Max Thelen

H. J. Howard

J. L. Gordon

Frank R. Doherty

Commissioners.