

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of MILL VALLEY and MT. TAMALPAIS SCENIC RAILWAY to sell and of MT. TAMALPAIS and MUIR WOODS RAILWAY to purchase the entire property of MILL VALLEY and MT. TAMALPAIS SCENIC RAILWAY.

Application No. 437.

William Thomas for applicants.

THELEN and LOVELAND, Commissioners.

OPINION.

This is an application on the part of Mill Valley and Mt. Tamalpais Scenic Railway to sell and of Mt. Tamalpais and Muir Woods Railway to purchase the entire property of Mill Valley and Mt. Tamalpais Scenic Railway for the consideration of 3000 shares of the capital stock of the Mt. Tamalpais and Muir Woods Railway, fully paid, having a par value of \$100 each.

The Mill Valley and Mt. Tamalpais Scenic Railway is the owner of a line of railway from Mill Valley, in Marin County, up Mt. Tamalpais to a point near the summit, with a branch line from the summit to Mesa Station (the double bow knot) to Muir Woods, and of taverns on Mt. Tamalpais, in Muir Woods and at West Point, and of some 192 acres of land in and about Muir Woods. This Company has an authorized capital stock of 2000 shares of the par value of \$100 each, all of which capital stock has been issued, and a bonded indebtedness as follows:

<u>Authorized.</u>	<u>Outstanding.</u>
First mortgage 5% bonds \$100,000	\$100,000
Second mortgage 5% bonds <u>\$100,000</u>	<u>30,500</u>
\$200,000	\$130,500

The Company reports sinking funds for the retirement of these bonds as follows:

First mortgage Bonds,	\$37,516.26
Second " "	12,928.75
	<u>\$50,445.01</u>

Subtracting this amount from the bonds outstanding, there is remaining a net bonded debt of \$80,054.99. The Company reports other indebtedness totalling \$36,956.88, thus making a total indebtedness of \$117,011.87.

Attached to the application and marked "Exhibit B" is a profit and loss statement for the year 1912, as follows:

RAILWAY

Passenger Receipts	\$70,359.16
Freight Receipts	645.50
	<u>\$71,004.66</u>

OPERATING EXPENSE

Maintenance of Equipment	\$ 8,830.43
Maintenance of Way	5,768.37
Fuel Oil	5,272.78
Gasoline Fuel	349.77
Oil & Waste	198.57
Train Service	10,314.10
Train Expense	543.61
	<u>\$31,327.63</u>

Net Earnings of Railway \$39,677.03

Tavern of Tamalpais Net Earnings \$ 2,040.53

Muir Inn Net Earnings \$ 57.27 \$ 2,097.80

Net Earnings of Railway Hotels \$41,774.83

GENERAL EXPENSE

Advertising	\$ 5,462.84
General Service	4,770.--
General Expense	2,404.48
Interest	7,691.29
Taxes	3,759.66
Insurance	1,112.50
New Survey Account (for R.R. Com)	2,370.61
Depot Rent	600.--
Tavern of Tamalpais Repairs	108.86
	<u>\$26,280.24</u>

Net Gain \$13,494.59

Add Rent Receipts \$ 1,335.70

Add Sundry Receipts 195.11

Add accumulated Earnings Sinking Fund
(1st M. Bonds from Sept. 1907 to June 30th, 1912) \$ 5,827.29

Add Accumulated Earnings Sinking Fund
(2nd M. Bonds from Sept. 1909 to June 30th, 1912) \$ 928.75

NET GAINS ALL SOURCES \$21,781.44

During the year 1912, the Company paid a 5% dividend on its entire capital stock, amounting to \$10,000.

The Company submitted an estimate of the original cost, the reproduction value and the present value of its property as follows:

Original Cost	\$461,702.02
Reproduction Value	555,807.73
Present Value	563,045.25

The Company claims that a considerable portion of its right-of-way and other real estate having a present value of some \$41,000, was donated to the Company and that the value thereof is not included under the item "Original Cost." Assuming, for the purposes of this application,^{as} a present value of the property the original cost thereof, estimated by applicant at \$461,702.02, and bearing in mind the indebtedness of \$117,011.87 which is to be assumed by the new company, and the issue of capital stock in the amount of \$300,000, to be paid by the new company for the property of the old company, it is evident that there is a substantial margin between the value of the property and the amount of the proposed capital stock of the new company and the indebtedness of the old company which is to be assumed by the new company.

The Mt. Tamalpais and Muir Woods Railway, hereinafter referred to as the new company, was incorporated on February 14, 1913, for the purpose of taking over the old company and of building an extension from a convenient point on the main line near West Point Station to Bolinas, on the Pacific Ocean. The old company finds it necessary to make certain improvements in its property, necessitating the expenditure of quite a large sum of money, which it is desired to secure from the sale of stock. The stockholders of the present company are unwilling that additional stock should be issued at par, because they feel that the stock is worth more than par at present and they are unable to secure more than par for it. They accordingly conceived the idea of organizing a new company

to take over the property of the present company for \$300,000 in capital stock of the new company, with the intention of thereafter selling additional stock of the new company at par to finance the proposed extensions and improvements.

We find that the proposed plan is a reasonable one, and that the interests of the public are duly protected thereby, and recommend that the application be granted. We submit herewith the following form of order:

O R D E R.

MILL VALLEY and MT. TAMALPAIS SCENIC RAILWAY and MT. TAMALPAIS and MUIR WOODS RAILWAY having made application to the Railroad Commission for an order authorizing the sale of the property of the former corporation to the latter corporation and the purchase by the latter corporation of the property of the former corporation for the consideration of three thousand (3000) shares of the capital stock of the Mt. Tamalpais and Muir Woods Railway, fully paid, at one hundred (\$100) dollars per share, and the Commission finding that the purposes for which said capital stock is to be issued are not in whole or in part reasonably chargeable to operating expenses or to income,

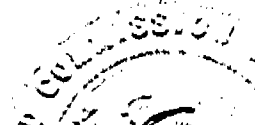
IT IS HEREBY ORDERED that said application be and the same is hereby granted, subject to the following conditions:

1. When said sale shall have been consummated, the Mt. Tamalpais and Muir Woods Railway shall make a verified report to the Commission, stating the amount of capital stock which has been issued under this order and the consideration paid therefor, and such other information as is required by this Commission's General Order No. 24, in so far as applicable to this order.

2. The authority hereby given to issue capital stock of the Mt. Tamalpais and Muir Woods Railway shall apply only to stock issued by said Company on or before the first day of October, 1915.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 12th day of April, 1915.


John W. Fishbein
Edwin O. Edgerton
Abel Gordon
H. J. Loveland
Max Thelen

Commissioners.