

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

In the matter of the application of
Eidewater Southern Railway Company
for an amendment of the order of the
Railroad Commission, dated June 29,
1912, so as to authorize the pledge of
bonds to secure loans aggregating
\$100,000.
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Application No. 38

THELLEN, Commissioner:

OPINION ON SUPPLEMENTAL APPLICATION.

This is a supplemental application for authority to pledge applicant's bonds numbered 186 to 385, inclusive, being bonds of the par value of \$200,000, heretofore authorized to be sold by this Commission's order in application No. 38, dated June 29, 1912. Applicant now desires to use said bonds as collateral security for loans up to \$100,000 to be made on its promissory notes.

Applicant, under this Commission's said order dated June 29, 1912, has heretofore sold and issued bonds of the face value of \$200,500 and capital stock of the par value of about \$200,000. Applicant claims that prior to this Commission's said authorization it had spent an additional \$200,000 on its property, and that it owns 1100 acres of right-of-way, for which it paid not in excess of \$10,000, but which right-of-way is worth on an average of \$150 per acre.

Because of the present financial stringency, applicant finds it impossible to sell additional bonds on the terms heretofore authorized by this Commission. Applicant needs about \$120,000 for the completion, including electrification, of its line of railway from Stockton to Modesto. Applicant can secure some \$20,000 from other sources, but will have to borrow about \$100,000 to complete the work. Applicant has made tentative arrangements with three banks in Stockton to secure \$60,000 on its promissory notes, with its bonds as collateral, using \$2000, par value, of bonds as security for each \$1.00 borrowed.

The additional \$40,000 applicant expects to secure from other sources by giving similar security. While the ratio of 2 to 1 requires the use of more bonds than the Commission usually allows in cases of this kind, the facts of this case justify this ratio in the present proceeding. The notes are to bear interest at the rate of 7% per annum. As the local banks are securing 7% and 8% for their money on loans in the vicinity, and as applicant is dependent on local money, it is impossible for applicant at the present time to secure money on better terms. The notes are to be payable at periods of 12 months or less from the date of issue, and accordingly do not require the consent of this Commission for their initial issue.

Such bonds as may be used as collateral shall be returned to the treasury when the respective obligations are paid and shall not be thereafter again issued until this Commission's consent has first been secured.

I find that in view of the present financial conditions, the application is a reasonable one and recommend that it be granted.

I submit herewith the following form of order.

ORDER

SEABOARD SOUTHERN RAILWAY COMPANY having applied to this Commission for authority to issue its bonds numbered 186 to 385, inclusive, heretofore authorized to be issued and sold, by this Commission's order in the above entitled proceeding, dated June 29, 1912, such bonds to be used as collateral security for loans on promissory notes amounting to not in excess of one hundred thousand dollars (\$100,000), to bear interest at not to exceed seven per cent (7%) per annum, not to exceed two dollars (\$2.00) per value, of applicant's said bonds to be used as security for each one dollar (\$1.00) borrowed, and a public hearing having been held on said application,

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

1. When said bonds are returned to the treasury they shall

not again be issued unless this Commission's consent shall first have been secured.

2. The proceeds to be derived from said loans shall be devoted only to the purposes specified in this Commission's said order, dated June 29, 1912.

3. Applicant shall account to the Commission for the receipt and application in detail of the proceeds of said notes and for such bonds as may be issued under this authorization, in accordance with the provisions of this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. In all respects not inconsistent herewith, the Commission's said order dated June 29, 1912, shall remain in full force and effect.

5. This order shall apply only to such bonds as may be issued prior to January 1, 1914.

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 21st day of June, 1913.

John W. Eshleman

H. B. ...

Max Thelen

Commissioners.