

BEFORE THE RAILROAD COMMISSION  
OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of the STOCKTON TERMINAL AND  
EASTERN RAILROAD COMPANY for an  
Order Authorizing an Issue of Bonds  
of the par value of \$65,000.

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)  
) Application  
) No. 51.  
)  
)

OPINION

Thelen, Commissioner.

This is an application of Stockton Terminal and Eastern Railroad Company for an order authorizing the issue of first mortgage bonds of the par value of \$65,000.

Applicant was incorporated under the laws of California on October 26, 1908, for the purpose of constructing a railroad of standard gauge, to be operated by electricity or other motive power, from the City of Stockton easterly and northeasterly to the Town of Jenny Lind, in Calaveras County, a distance of some 30 miles. Applicant's railroad has been constructed along the route proposed from Stockton to Fine, a distance of some 15.2 miles. The railroad has been in operation since September 1, 1910. It was at first operated as a steam railroad but is now operated by means of a gasoline motor car. The company expects to operate by means of electricity when the railroad has been completed. In addition to its roadbed and rails, the applicant owns a franchise in the City of Stockton, a franchise granted by the County of San Joaquin, a gasoline motor car, a steam locomotive, four flat cars, one box car, one combination passenger car and one auto-motor car. The petition alleges that the original cost of this property was \$298,200.09. It appears from the evidence that most of the roadbed could now be reproduced for between eight and ten thousand dollars per mile.

Applicant's authorized capital stock consists of 6,000 shares of the par value of \$100 each, whereof 2639 shares have been issued. From the sale of this stock the applicant has received \$243,900 in cash. Applicant has executed its trust deed, dated April 1, 1911, to the Mercantile Trust Company of San Francisco, to secure the issue of a bonded indebtedness amounting to \$500,000. Of this amount, bonds of the par value of \$45,000 have been sold and delivered; bonds of the par value of \$10,500 have been subscribed for but not delivered; bonds of the par value of \$11,000 have been deposited as collateral security for the payment of three notes: and bonds of the par value of \$15,000 have been issued as security for the issuance of 100 collateral bonds of the denomination of \$188, issued under a collateral trust agreement with said Mercantile Trust Company of San Francisco, likewise dated April 1, 1911.

The applicant now has in its treasury, certified to but not issued, the following first mortgage bonds:

\$1000 denomination, No's 42-60 inclusive	\$19,000
\$ 500 " " No's 280, 281 and 283-400 incl.	\$60,000

and also the following collateral bonds -

\$ 100 denomination Nos. C63 to C.100 inclusive	\$ 3,800
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Applicant now desires to discharge certain obligations, to make certain improvements in its facilities, and to acquire property and extend its facilities for the construction of an extension of its line of railway from its present eastern terminus at Fine some two and one half miles to Bellotta. For these purposes, applicant desires to expend amounts of money as follows:

Discharge of obligations	\$26,925.82
Repair of Old Track laid for extension	500.00
Turntables - Stockton and Linden	670.00
Switches - Four sets on old line at \$80.00	320.00
Rights-of-way for extension	3,000.00
Grading - Repair of old grade from station 100 to station 225	250.00

New Grade - Embankment 5,269 cubic yards @ 20¢	1,053.80
Steel - 283 tons, 60# rails @ \$41 per ton	11,603.00
Track fastenings - spikes, eplice bars and bolts	1,080.00
Switches - four sets @ \$80.00	320.00
Track laying and surfacing	1,650.00
Bridges, Trestles and Culverts-3 structures	1,260.00
Fences, Cattle Guards and Crossings	616.00
Station Buildings and Platforms	500.00
Turntable - Bellotta	335.00
Engineering and miscellaneous expenditures	1,000.00
Further improvements not definitely fixed upon	<u>916.38</u>
	\$52,000.00

To secure these funds, applicant desires to issue first mortgage bonds of a par value of \$65,000, which bonds applicant proposes to sell so that they will net not less than 80 per cent of their par value. I find that the purposes for which applicant desires to secure funds by the issue of its bonds are proper and that the sums hereinbefore specified are reasonable for such purposes. As the value of the property is considerably in excess of the sum of the issued and the proposed new bonds, I find that it is proper to issue bonds of the par value of \$65,000, or so much thereof as may be necessary, to secure the funds hereinbefore specified. The trust deed contains adequate provisions for a sinking fund.

It will, of course, be borne in mind by the investing public that this Commission does not guarantee bonds, stocks or other securities which it authorizes. Ordinarily the Commission's function in passing on a proposed bond issue is principally to ascertain whether the purposes for which it is desired to secure funds are proper and whether the moneys desired for such purposes are reasonably necessary therefor and whether the bonds are sold for a reasonably high price and to take the necessary steps to assure itself that the moneys derived from the disposition of such securities are expended solely for the purposes authorized.

I recommend that the application be granted, to take effect when the necessary fee is paid, and submit herewith the following order:

ORDER.

Application having been made to the Railroad Commission of the State of California by Stockton Terminal and Eastern Railroad Company for an order authorizing the issue by said company of first mortgage gold bonds of the par value of \$65,000, said bonds to be payable on the 1st day of April, 1941, unless sooner redeemed, and to bear interest at the rate of six (6) per cent per annum, payable semi-annually on the first days of April and October, and secured by a trust deed or mortgage upon all the property of the company, and a hearing having been duly held, and it appearing to the Commission that the money to be secured by the issue of said bonds is necessary to and reasonably required by said company for the discharge of its obligations and acquisition of property and the construction, completion, extension and improvement of its facilities,

IT IS HEREBY ORDERED, that the Railroad Commission of the State of California does hereby authorize the issue by the Stockton Terminal and Eastern Railroad Company of sixty-five thousand (\$65,000) dollars face value, or so much thereof as may be necessary for the purposes hereinafter specified, of principal of bonds of said company, maturing the 1st day of April, 1941, unless sooner redeemed, to bear interest at six (6) per cent per annum, payable semi-annually, under and in pursuance of the terms of the deed of trust or mortgage heretofore and on the 1st day of April, 1911, made and executed by said Stockton Terminal and Eastern Railroad Company to Mercantile Trust Company of San Francisco, as trustee, upon the conditions following, and not otherwise:

(1) The Stockton Terminal and Eastern Railroad Company shall sell the bonds hereby authorized so as to net the said company not less than eighty (80) per cent of the par value of the principal thereof besides interest accrued thereon.

(2) The proceeds from the sale of said bonds shall be applied to the following purposes only:

- (a) For the discharge of obligations,  
as specified in application, \$26,925.82
- (b) For the acquisition of property and  
the construction, completion, extension  
and improvement of facilities, as  
specified in application, \$25,074.18

(3) Said company shall keep separate, true and accurate accounts, showing the receipt and application in detail of the proceeds of the sale or disposal of the bonds hereby authorized to be issued and on or before the 10th day of each month the company shall make a verified report to the Commission stating the sale or other disposition of such bonds during the preceding month, the terms and conditions of such sale or other disposition, the moneys realized therefrom and the use and application of such moneys.

(4) The authority hereby given to issue such bonds shall apply only to bonds issued by said company on or before the thirtieth day of June, 1913.

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 30th day of May, 1912.

John M. Eschleman  
W. A. Loveland  
W. G. Gordon  
Max Thaler  
Edwin O. Edgerton

Commissioners.