

ORIGINAL

Decision No. 1579

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA:

In the Matter of the Application  
of SAN PEDRO, LOS ANGELES AND SALT  
LAKE RAILROAD COMPANY for an order  
authorizing the issue of First  
Mortgage Bonds of the face value  
of \$861,000.00.

Application No. 1117.

A. S. Halsted for applicant.

THELEN, Commissioner.

O P I N I O N.

This is an application for an order authorizing the issue of applicant's first mortgage four per cent fifty year gold bonds of the face value of \$861,000.00.

A public hearing on this application was held in the city of Los Angeles on June 8, 1914.

Applicant desires to issue these bonds for the purpose of discharging and refunding obligations which it incurred for capital expenditures made subsequent to the expenditures referred to in this Commission's decision of June 21, 1913, on the application of this company for an order authorizing the issue of bonds of the face value of \$1,119,000.00. Reference is hereby made to said decision for a general statement of applicant's business and financial structure. (Vol. 2, Opinions and Orders of Railroad Commission of California, p. 1062).

Applicant presented evidence showing that all the expenditures against which applicant now desires to issue its bonds were incurred subsequent to those on which this Commission has heretofore authorized the issue of bonds, and that these expenditures were in general as follows:

Expenditures for construction and improvement of trestles and bridges, the ballasting of tracks, the widening of cuts and fills, the construction of block and other signal systems, the reduction of grades and curvatures and the elevation and lowering of tracks..... \$ 94,058.59

Expenditures for acquisition and betterment of real estate..... 272,100.85

Expenditures for construction, acquisition, improvement and enlargement of terminals, stations, shops, shop machinery and tools, depots, wharves, warehouses and other structures, the construction or acquisition or extension of spur tracks, side tracks, passing tracks and yard tracks, and the construction or acquisition, improvement and enlargement of other terminal or station facilities ..... 95,407.01

Expenditures for purchase or other acquisition of or improvement and enlargement of water tanks, pipe lines, etc.,..... 6,850.14

Expenditures for purchase or other acquisition of additional engines and other rolling stock..... 255,314.61

Expenditures for construction or acquisition of other additions to and improvements and betterments of and upon any of the company's lines of railroad..... 137,305.25

Total..... \$361,036.45

The foregoing statement is attached as Exhibit "E" to the petition herein and the details of each account are shown in statements following Exhibit "E" and attached thereto. Applicant's witness testified that these expenditures are all properly chargeable to capital account under the classifications of the Interstate Commerce Commission and of this Commission. Of the foregoing

expenditures, \$349,721.63 were incurred for additions and betterments in the State of California and \$255,314.61 for rolling stock which moves over the entire system in the states of California, Nevada and Utah. The lien of these bonds will attach to all of applicant's operative property in California.

Under the provisions of applicant's mortgage to Guaranty Trust Company of New York, the trustee may issue bonds of the total face value of \$13,500,000 up to the full amount of expenditures for additions and betterments. In the present case, applicant proposes to issue its bonds at 90 per cent of face value to Oregon Short Line Railroad Company and W. A. Clark, who are the owners of its capital stock. These bonds bear interest at the rate of only 4 per cent per annum. In view of all the facts surrounding applicant's financial condition, they would probably sell for less than 90 if sold on the open market at the present time. For the year ending June 30, 1913, applicant reports a profit over all expenditures of \$340,182.36. The corporate deficit on June 30, 1913, was \$3,680,709.48. This deficit is largely the result of the very large expenditures incurred a few years ago in connection with washouts on applicant's line of railroad. Applicant has never declared a dividend and will use its net earnings to put additional security behind the bonds.

I recommend that the application be granted and submit herewith the following form of order:

O R D E R.

SAN PEDRO, LOS ANGELES AND SALT LAKE RAILROAD COMPANY having applied for an order of the Railroad Commission authorizing said company to issue its first mortgage four per cent fifty year gold bonds of the face value of \$861,000.00, for the purposes hereinafter indicated, and a public hearing having been held on said application and the Railroad Commission finding that the purposes for which the proceeds of said bonds are to be used are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED by the Railroad Commission of the State of California that San Pedro, Los Angeles and Salt Lake Railroad Company be and the same is hereby authorized to issue its gold bonds of the face value of \$861,000.00, bearing interest at the rate of four per cent per annum, payable on the first day of January and July of each year, due on July 1, 1961, and secured by mortgage or deed of trust to Guaranty Trust Company of New York, on the following conditions and not otherwise, to-wit:

1. San Pedro, Los Angeles and Salt Lake Railroad Company shall issue said bonds so as to net said company not less than 90 per cent of their face value, in cash, plus accrued interest.
2. San Pedro, Los Angeles and Salt Lake Railroad Company shall use the proceeds from the issue of said bonds only for the purpose of discharging and refunding obligations incurred in making the capital expenditures which are referred to in the Opinion which precedes this Order and which are set forth in Exhibit "E" and the statements which follow the same, which exhibit and statements are attached to the petition herein and marked respectively Exhibit E, Statement E-1, Statement E-2, Statement E-3, Statement E-4, Statement E-5 and Statement E-6, and are hereby referred to and made a part of this Order.
3. San Pedro, Los Angeles and Salt Lake Railroad Company shall keep separate, true and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of the bonds hereby authorized to be issued; and on or before the 25th day of each month the applicant shall make verified reports to the Commission stating the sale or sales of said bonds during the preceding month, the terms and conditions 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.
4. San Pedro, Los Angeles and Salt Lake Railroad Company shall file with the Railroad Commission <sup>copies of the</sup> certified documents which it

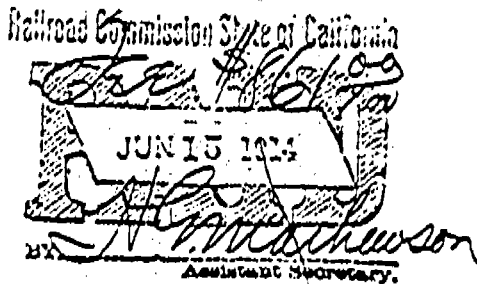
files with the trustee to secure the delivery of the bonds herein authorized to be issued.

5. This order shall apply only to such bonds as shall have been issued prior to June 1, 1915.

6. This order shall not become effective until applicant has paid the fee specified by Section 57, as amended, of the Public Utilities Act.

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 11th day of June, 1914.



H. D. Loveland  
W. E. Gordon  
Wm. J. Shelton

Commissioners.