

Decision No. _____

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of Southern Pacific Company for approval of a lease of railroad equipment and for an order authorizing the issue of equipment trust certificates in the amount of \$5,110,000.

ORIGINAL

Application No. 2187.

Decision No. 3277

Cuy Shoup, for applicant.

EDGERTON, Commissioner.

O P I N I O N

This is an application by Southern Pacific Company for the approval of a certain lease of railroad equipment and for authority to issue and guarantee \$5,110,000 face value of equipment trust certificates, Series "D".

The Southern Pacific Company proposes herein to acquire certain equipment hereafter specified, from Harry E. Righter and William L. Fry, the vendors, through the medium of Commercial Trust Company of Philadelphia, Trustee. This equipment is to cost \$6,018,469.64. The applicant will pay approximately 15 per cent in cash and for the balance of the cost of said equipment will cause to be issued \$5,110,000 of equipment trust certificates, Series "D", to be dated May 1, 1916, maturing in ten equal annual installments, with dividend warrants or interest coupons of $4\frac{1}{2}$ per cent per annum.

The Southern Pacific will acquire the following equipment under the agreement herein at the prices specified:

20	Locomotives	\$516,140.00
10	Baggage Cars	71,500.00
6	Baggage and Mail Cars	58,878.00
12	Baggage and Mail Cars	117,756.00
2	Baggage and Mail Cars	20,056.00
15	Coaches	167,040.00
3	Coaches	33,351.00
2	Baggage and Passenger Cars	19,830.00
990	Box Cars	1,247,489.10
500	Box Cars	624,465.00
298	Box Cars	370,786.50
199	Gondolas	214,374.74
473	Flat Cars	448,569.55
125	Flat Cars	118,543.75
450	Stock Cars	474,574.50
150	Stock Cars	158,191.50
100	Stock Cars	105,461.00
500	Automobile	676,730.00
100	Automobile	134,879.00
300	Oil	439,854.00
	Total	\$6,018,469.64

Copies of the lease and agreement under which the applicant will acquire the equipment and issue the equipment trust certificates have been filed with the application and marked Exhibit "A".

The equipment trust certificates will be callable after May 1, 1921 at 102½ per cent of face value. The certificates will be guaranteed both as to principal and dividend warrants or interest by Southern Pacific Company.

This Commission has heretofore authorized Southern Pacific Company to issue equipment trust certificates, Series "A", Series "B" and Series "C", under agreements substantially in the form of agreements under which it is now proposed to issue equipment trust certificates, Series "D". Reference is hereby made to such opinions and orders: Decision No. 572, Page 602, Vol. 2, Opinions and Orders of the Railroad Commission of California; Decision No. 947, Page 562, Vol. 3, Opinions and Orders of the Railroad Commission of California; Decision No. 1956, Page 745, Vol. 5, Opinions and Orders of the Railroad Commission of California.

The Southern Pacific Company is in need of the additional equipment by reason of its augmented business, and it is obvious that the purchase is a desirable one.

The applicant asks for authority to sell its equipment trust certificates, Series "D", on a basis, which with interest warrants, discounts, commissions, etc., will make the interest charge not to exceed 5 per cent, on the basis of the average maturities of said equipment trust certificates.

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

O R D E R

Southern Pacific Company having applied to this Commission for an order authorizing it to enter into a lease of railroad equipment from Commercial Trust Company of Philadelphia and to enter into an agreement with Harry E. Richter and William L. Fry and Commercial Trust Company of Philadelphia, said proposed lease and said proposed agreement being both dated May 1, 1916, and a copy of said lease and a copy of said agreement having been filed in connection with the application herein and marked Exhibit "A",

And Southern Pacific Company having applied to this Commission for an order authorizing it to guarantee an issue of equipment trust certificates, Series "D", the issue of which is provided for under the terms of said lease and agreement, dated May 1, 1916, said equipment trust certificates, Series "D", to aggregate in principal \$5,110,000, to bear dividend warrants at the rate of 4½ per cent per annum, payable on the first day of May and the first day of November

of each year, said certificates to mature in ten equal installments, payable respectively on May 1 of each year, from May 1, 1916 to May 1, 1926, inclusive, a form of said equipment trust certificates and of the guarantee of Southern Pacific Company thereon being contained in said copy of agreement;

And Southern Pacific Company having applied also for authority to issue said equipment trust certificates and to pay discounts and commissions which, with the 4½ per cent dividend warrants, shall amount not to exceed 5 per cent on the basis of average maturities of said equipment trust certificates;

And a hearing having been held upon said application and it appearing that the equipment to be obtained by Southern Pacific Company under the terms of said lease and said agreement is reasonably required in the conduct of its business, and that the proceeds of said car equipment trust certificates are not reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED that Southern Pacific Company be granted authority and it is hereby granted authority to enter into a lease of railroad equipment from Commercial Trust Company of Philadelphia and to enter into an agreement with Harry E. Richter and William L. Fry and Commercial Trust Company of Philadelphia, said proposed lease and said proposed agreement to be dated May 1, 1916 and to be substantially in the form of a copy of said lease and a copy of said agreement heretofore filed with this Commission in connection with the application herein and marked Exhibit "A".

IT IS FURTHER ORDERED that Southern Pacific Company be granted authority and it is hereby granted authority to guarantee an issue of equipment trust certificates, Series

"D", the issue of which is provided for under the terms of said lease and agreement, to be dated May 1, 1916, said equipment trust certificates, Series "D" to aggregate in principal \$5,110,000, to bear dividend warrants at the rate of 4½ per cent per annum, payable on the first day of May and the first day of November of each year, said certificates to mature in ten equal installments, payable respectively on May 1 of each year, from May 1, 1916 to May 1, 1926, inclusive.

IT IS FURTHER ORDERED that Southern Pacific Company be granted authority to issue said equipment trust certificates and to pay discounts and commissions which, with the 4½ per cent dividend warrants, shall amount not to exceed 5 per cent on the basis of the average maturities of said equipment trust certificates.

The authority herein granted is granted upon the following conditions and not otherwise:

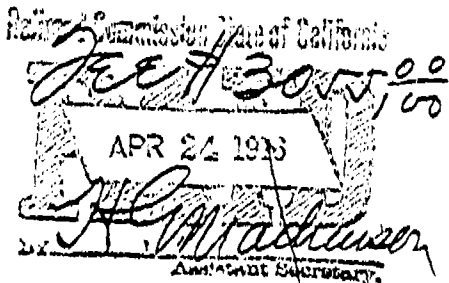
(1) Southern Pacific Company shall keep separate, true and accurate account showing the receipt and application in detail of the proceeds of said equipment trust certificates in so far as they affect the equipment to be used exclusively within the state of California, and on or before the twenty-fifth day of each month shall make a verified report to this Commission stating the sale or sales of said equipment trust certificates with the terms and conditions thereof, 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, but only in so far as applicable, is made a part of this order.

(2) The authority herein granted shall become effective only when the Southern Pacific Company shall pay the fee prescribed under Section 57 of the Public Utilities Act as amended.

(3) The authority herein granted shall apply to such equipment trust certificates as shall have been issued on or before December 1, 1918.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of California.

Dated at San Francisco, California, this 21st day of April, 1916.



Max Thelen

H. S. Cleveland

W. E. Gordon

Commissioners.