

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application  
of The Western Pacific Railroad  
Company, of Franklin V. Spooner,  
Robert R. Pardow and John C. Rued,  
and of Henry E. Cooper, A. M. Hunt,  
James D. Phelan, George Whittell,  
David R. Forgan, I. DeBruyn,  
C. Ledyard Blair, Frederick H. Ecker,  
Starr J. Murphy, Robert W. Martin,  
William Salomon and Richard B. Young,  
as the re-organization committee  
constituted by the plan and agreement  
of re-organization of Western Pacific  
Railway Company, for authorization  
of proceedings pursuant to said plan  
and agreement of re-organization.

Application No. 2351.

.....

John F. Bowie for petitioners.  
Perry Evans for Western Pacific Railway Company.

BY THE COMMISSION.

O P I N I O N.

This is a petition for an order authorizing Western Pacific Railway Company to sell its entire property and authorizing The Western Pacific Railroad Company to purchase said property, to issue stock of the par value of seventy-five million dollars and bonds of the face value of twenty million dollars and to mortgage its property to secure an authorized issue of bonds of the face value of fifty million dollars, all in accordance with a plan and agreement of reorganization of Western Pacific Railway Company.

A public hearing herein was held in San Francisco on June 19, 1916, at which time this application was submitted.

Western Pacific Railway Company was incorporated on March 3, 1903, under the laws of California, for the purpose of constructing a main line of railroad between San Francisco,

California, and Salt Lake City, Utah, together with branch lines.

Construction commenced in 1905. The first through train over the line arrived in Oakland, California, on August 22, 1910, and operation commenced shortly thereafter. The railroad was transferred from the construction department to the operating department on July 1, 1911.

The main line runs from San Francisco by ferry and barge system to Oakland; thence southeasterly, easterly, northerly, and easterly through the cities or towns of Niles, Stockton, Sacramento, Marysville, Oroville, Keddle, Portola, Hawley and Doyle, to a point on the boundary line between the states of California and Nevada on the eastern boundary of Plumas County, California; thence in a general easterly direction across the State of Nevada to a point on the boundary line between the States of Nevada and Utah; and thence in a general easterly direction, along the southerly edge of the Great Salt Lake to Salt Lake City, Utah. The length of the main line is 926.31 miles, of which distance 377.10 miles are located in California, 427.25 miles in Nevada and 121.96 miles in Utah. Western Pacific Railway Company owns one branch line, extending from Carbons, San Joaquin County, California, in a general southwesterly direction, a distance of 13.13 miles, to Tesla, Alameda County, California. The total length of all tracks, including main line mileage, second tracks and yard tracks and sidings is 1112.47 miles.

The maximum grade is 53 feet to the mile, being a 1% grade. This grade is more favorable than that of any of the other transcontinental railroads reaching California. The maximum degree of curvature is 10 degrees, compensated at the rate of .035 feet per degree. The line as constructed across the Sierra Nevada Mountains is ~~simply~~ remarkably free from snow, so that maintenance charges due to snow are at a minimum. The construction standards were first class.

Mr. J. F. Evans, General Auditor of Western Pacific Railway Company, testified that the cost of Western Pacific Railway Company's property in cash or the equivalent thereof, to April 30, 1916, was \$81,869,254.60. Included in this amount are \$3,296,975.00 discount on first mortgage bonds and \$16,556,194.08 interest during construction. The sources from which these funds were derived are as follows:

Proceeds of sale of first mortgage bonds -	\$46,243,120.00
Proceeds of sale of second " "	18,750,000.00
Proceeds of sale of capital stock.....	163,000.00
Interest on trust funds deposited during construction.....	1,870,146.00
Accrued interest on second mortgage bonds..	52,905.00
Moneys borrowed .....	16,408,650.00
Income from operation pending construction used for construction.....	<u>754,353.00</u>
Total,.....	\$84,242,174.00

The difference between the total of \$84,242,174.00 and the sum of \$81,869,254.60, testified to by Mr. Evans, represents principally interest on first mortgage bonds accruing subsequent to the end of the construction period.

The net book cost of the property of Western Pacific Railway Company as of June 30, 1911, as appears on Schedule A of Railroad Commission's Exhibit No. 5 herein, was \$154,198,412.71. The book cost as of April 30, 1916, as testified to by Mr. Evans, was \$157,660,085.75. The book cost includes an item of seventy-five million dollars to balance the capital stock, amounting to seventy-five million dollars. Almost all the common stock was issued as bonuses in connection with certain bond and other transactions. The only cash derived from the sale of common stock was the sum of \$163,000.00.

No detailed estimates of reproduction cost new or of reproduction cost new less accrued depreciation were presented.

Mr. T. J. Wyche, chief engineer of Western Pacific Railway Company, testified that he had been engaged for some time in the preparation of an estimate of the cost to reproduce the property of Western Pacific Railway Company and that, while this estimate has not been completed, he concludes that his final figure will be in excess of seventy-five million dollars. Mr. Richard Sachse, the chief engineer of the Railroad Commission, testified that the engineering department has been working on the estimated cost to reproduce the property of Western Pacific Railway Company in California, and that on the basis of the information thus far secured, the cost to reproduce new that portion of the property which is located in the State of California would approximate sixty million dollars, and for the entire property, between eighty and eighty-five million dollars. He testified further that the cost to reproduce new less depreciation would be approximately forty-seven million dollars for the property in California and \$72,250,000.00 for the entire property. The estimates both of Mr. Wyche and of Mr. Sachse were stated to be merely approximations.

Western Pacific Railway Company issued the entire amount of its authorized capital stock, being 750,000 shares of common capital stock, of the par value of \$100.00 per share. The company also issued its entire authorized first mortgage bonds, consisting of bonds of the face value of fifty million dollars, secured by mortgage or deed of trust to The Equitable Trust Company of New York, successor to Bowling Green Trust Company, and also its entire authorized issue of second mortgage bonds, consisting of bonds of the face value of twenty-five million dollars, secured by mortgage or deed of trust dated October 9, 1908, to Central Trust Company of New York. Other liabilities of Western Pacific Railway Company will appear hereinafter in the general balance sheet as of April 30, 1916. It will suffice, for the present, to draw attention to the fact that the principal portion of these other liabilities

consists of moneys owing to The Denver and Rio Grande Railroad Company, owner of approximately five-sixths of the capital stock of Western Pacific Railway Company, for moneys advanced. The moneys thus owing to The Denver and Rio Grande Railroad Company are in excess of twenty-five million dollars.

Western Pacific Railway Company has operated under a number of serious handicaps, among which the following may be stated:

- (1) Lack of branch lines and other feeders.
- (2) Highly competitive conditions in territory served.
- (3) Disadvantageous contractual relations with other carriers.
- (4) Excessive interest requirements for mileage operated.
- (5) Unusual obstacles and difficulties during the construction period, including the San Francisco earthquake and fire of 1906.
- (6) Financial panic of 1907, during construction period.

The results of these handicaps are reflected in the profit and loss statements of Western Pacific Railway Company.

The following table shows comparative income and profit and loss statements of Western Pacific Railway Company for the fiscal years ending June 30, 1912, 1913, 1914 and 1915:

Table No. 1.

## COMPARATIVE INCOME AND PROFIT AND LOSS STATEMENTS--WESTERN PACIFIC RAILWAY COMPANY--

June 30, 1912, 1913, 1914 and 1915.

	Year ending June 30, 1912	Year ending June 30, 1913	Year ending June 30, 1914	Year ending June 30, 1915
Operating revenues	5,258,532.43	6,173,628.29	6,099,573.37	5,708,126.27
Operating expenses	4,229,864.55	4,478,835.06	4,995,891.64	4,419,936.53
Net operating revenue	1,028,667.88	1,694,793.23	1,103,681.73	1,288,189.74
Outside operations-revenue	172,115.13	168,967.07	151,563.96	-----
Outside operations- expenses	208,276.66	180,602.35	178,716.22	-----
Net revenue from outside operations	36,161.53	11,685.28	27,152.26	-----
Total net revenue	992,506.35	1,683,157.95	1,076,529.47	1,288,189.74
Taxes accrued	185,233.84	278,096.13	379,259.40	355,032.88
Operating income	807,272.51	1,405,061.82	697,270.07	933,156.86
<u>OTHER INCOME</u>				
Joint facility rent income	-----	83.28	124.92	124.92
Miscellaneous Rent Income	17,397.92	23,447.34	27,497.17	50,199.84
Income from Unfunded Securities and Accounts	1,967.86	26,604.73	4,688.48	3,015.71
Miscellaneous Income	-----	-----	15,000.00	783.28
Total other income	19,355.78	50,035.35	47,310.57	54,123.75
Gross Corporate Income	826,628.29	1,455,097.17	744,580.64	987,280.61
<u>DEDUCTIONS FROM GROSS INCOME</u>				
Hire of Equipment	203,495.43	302,281.67	300,959.16	252,795.05
Joint Facility Rent Deductions	28,514.49	57,093.03	60,569.66	54,757.82
Miscellaneous Rent Deductions	29,202.48	47,778.60	49,657.94	50,192.60
Interest accrued on Funded Debt	3,748,245.97	3,752,281.25	3,752,774.98	3,113,435.53
Other Interest	98,801.70	681,804.33	819,788.44	4,643.39
Amortization of Discount on Funded Debt	341.09	2,312.50	173,186.45	117,319.84
Miscellaneous Deductions	-----	-----	8,251.84	5,708.98
Total Deductions	4,108,601.16	4,843,551.38	5,165,188.47	3,698,853.21
Net Corporate Loss	3,281,972.87	3,388,454.21	4,420,454.21	2,613,424.51
Profit on road and equipment sold	-----	21,917.62	-----	-----
Delayed Income Credits	-----	21,499.56	11,159.49	-----
Miscellaneous Credits	6-----	11,483.95	1,277.55	5,884.37
Loss and Retired Road and Equipment	-----	13,158.51	7,385.78	-----
Delayed Income Debits	-----	33,435.12	95,692.02	1,851.91
Miscellaneous Debits	-----	602.55	-----	54,147.23
Deficit for Year	3,281,972.87	3,380,749.26	4,511,248.59	2,661,687.37
Deficit at Beginning of Year	-----	3,281,972.87	7,008,947.24	11,520,195.83
Deficit at End of Year	3,281,972.87	6,662,722.13	11,520,195.83	14,181,883.20

NOTE. By direction of I.C.O. entries were made charging Profit and Loss \$172,048.04 and Income \$173,186.45, thus reducing amount of Discount to be charged during life of securities after June 30, 1913, from \$6,709,562.94 to \$6,363,528.45; also a charge of \$190.62 was made for interest on equipment. This accounts for the difference of Deficit between 1913 and 1914.

Attention should be drawn to the deficits for each fiscal year and to the accumulated deficits at the end of the respective fiscal years, as follows:

	<u>Year Ending</u> <u>June 30, 1912</u>	<u>Year Ending</u> <u>June 30, 1913</u>	<u>Year Ending</u> <u>June 30, 1914</u>	<u>Year Ending</u> <u>June 30, 1915</u>
Deficit for year	\$3,281,972.87	\$3,380,749.26	\$4,511,248.59	\$2,661,687.37
Deficit at end of year	3,281,972.87	6,662,722.13	11,520,195.83	14,181,883.20

The disadvantages under which Western Pacific Railway Company has been laboring are also reflected in the following table, showing comparative statistical figures of Western Pacific Railway Company with other typical railroad systems, as of June 30, 1914:

TABLE NO. II.

	Western Pacific Railway Company	Southern Pacific Company	Atchison, Topeka & Santa Fe Rail- way Company	Illinois Central Railway	Louisville and Nashville Railroad	Boston & Maine Railroad	Missouri Pacific Railway	Denver & Rio Grande Railway
Mileage	943	*5,685	7,158	2,273	4,080	725	3,777	2,524
Cost of Construction	\$156,318,136.00	\$*614,764,256.00	\$639,802,459.00	\$136,579,423	\$241,818,228	\$90,653,840	\$155,013,953	\$174,316,510
Cost per mile of line	\$ 165,767.00	\$ 108,138.00	\$ 89,393.00	\$ 60,037	\$ 59,269	\$ 125,039	\$ 41,041	\$ 69,064
Passengers carried	236,162	36,645,269	11,882,779	27,522,774	13,360,348	47,032,535	6,231,778	1,820,715
Passengers carried one mile	62,075,775	1,348,286,556	1,146,808,853	718,962,391	577,420,770	896,081,331	259,469,924	248,876,693
Passenger revenue	\$ 1,253,731.00	\$ 30,018,598.00	\$ 24,633,111.00	\$ 13,715,979	\$ 13,082,509	\$ 16,851,616	\$ 4,649,431	\$ 5,077,403
Average amount received from each passenger	\$5.30	\$ .81917	\$2.07	\$ .49835	\$ .67920	\$ .33704	\$ .77801	\$2.78869
Average receipts per passenger per mile	\$ .0202	\$ .02226	\$ .0214	\$ .01908	\$ .02266	\$ .01769	\$ .01869	\$ .02040
Passenger service train revenue per train mile	\$1.04	\$1.57	\$1.47	\$1.26260	\$1.40393	\$1.54594	\$ .95451	\$1.52852
Freight tonnage	1,199,940	20,338,210	21,540,032	32,342,709	32,215,106	24,752,884	12,182,074	11,230,397
Freight tonnage carried one mile	595,826,774	4,730,340,390	5,893,379,432	7,739,173,596	5,511,812,374	2,635,139,719	2,398,847,411	1,420,196,751
Average distance haul of one ton-miles	496.55	232.58	273.60	240.83	171.09	106.46	196.10	126.46
Freight revenue	\$4,675,940.00	\$55,182,071.00	\$61,039,210.00	\$ 43,871,272	\$ 42,869,078	\$ 27,866,098	\$ 19,490,425	\$ 17,059,080
Average amount received for each ton of freight	\$ 3.90	\$ 2.71	\$ 2.84	\$ 1.35645	\$ 1.33068	\$ 1.12577	\$ 1.59993	\$ 1.51692
Freight revenue per mile of road	\$ **4,977.00	\$ **8,448.00	\$ **7,320.00	\$ 2,319.94	\$ 2,868.3	\$ 3,127.6	\$ 3,497.3	\$ 4,562.3
Total operating revenues	\$6,099,573.00	\$92,038,038.00	\$93,540,268.00	\$ 65,873,700	\$ 59,682,778	\$ 47,213,906	\$ 26,622,040	\$ 23,167,051
Operating revenues per mile of road	\$ **6,493.00	\$ **14,045.00	\$ **11,208.00	\$ 13,814	\$ 12,089	\$ 21,057	\$ 6,792	\$ 8,968
Operating revenues per train mile	\$ 2.19	\$ 2.83	\$ 2.67	\$ 2.06691	\$2.04110	\$ 2.36523	\$ 1.96678	\$ 3.10167
Operating Expenses	\$4,995,891.00	\$54,901,140.00	\$60,172,701.00	\$ 50,775,327	\$ 44,782,708	\$ 33,296,679	\$ 21,776,082	\$ 16,018,196
Operating expenses per mile of road	\$ **5,318.00	\$ **8,395.00	\$ **7,210.00	\$ 10,640	\$ 9,071	\$ 17,008	\$ 5,656	\$ 6,201
Operating expenses per train mile	\$ 1.80	\$ 1.69	\$ 1.72	\$ 1.59317	\$ 1.53152	\$ 1.91042	\$ 1.60877	\$ 2.14456
Ratio of operating expenses to operating revenues	81.91%	59.75%	64.33%	77.08%	75.03%	80.77%	81.80%	69.14%
Net revenue	\$1,103,682.00	\$37,046,948.00	\$33,367,567.00	\$ 15,098,373	\$ 14,900,070	\$ 9,117,227	\$ 4,845,958	\$ 7,148,855
Net revenue per mile of road	\$ 1,174.00	\$ **5,651.00	\$ **3,998.00	\$ 3,166	\$ 3,018	\$ 4,049	\$ 1,236	\$ 2,767
Freight train mileage	1,406,248	10,044,661	14,165,594	18,395,176	17,996,595	8,142,071	6,899,299	3,674,315
Passenger train mileage	1,318,489	20,968,580	18,511,697	13,180,317	10,647,166	11,568,580	6,268,660	3,259,122
Total revenue train mileage	2,724,737	31,013,241	32,677,291	31,575,493	28,643,761	19,710,651	13,167,959	6,933,437
Interest charges	\$3,752,775.00	\$ 6,310,240.00	\$ 12,624,769.00	\$ 7,817,785	\$ 7,137,539	\$ 3,572,778	\$ 7,762,342	\$ 5,626,035
Interest charges per mile of road	\$ 4,451.00	\$ *1,110.00	\$ 1,763.00	\$ 3,439	\$ 1,749	\$ 4,929	\$ 2,055	\$ 2,229
Profit and loss for year after deducting all charges	\$ 4,511,248.00	\$ 29,919,271.00	\$ None	\$ 2,057,112	\$ 741,147	\$ 2,780,904	\$ 3,017,743	\$ 640,836

\*Subsidiary lines included

\*\* Figured on average mileage operated



The cost of construction of Western Pacific Railway shown in the foregoing table is the book cost and includes the item of seventy-five million dollars for common stock hereinbefore referred to. The most significant item in the foregoing table is possibly the bond interest per mile of railroad, this interest being \$4,451.00 for Western Pacific Railway as contrasted with \$1,110.00 for the Southern Pacific Company, \$1,763.00 for Atchison, Topeka and Santa Fe Railway Company, \$2,055.00 for Missouri Pacific Railway and \$4,929.00 for the Boston and Maine Railroad, which is conceded to be one of the highest capitalized railroads in the United States.

The following table shows in summary form the revenues and expenses of Western Pacific Railway Company for the fiscal year ending June 30, 1915; and also for the ten months ending April 30, 1916:

Table No. III.

REVENUES AND EXPENSES -- WESTERN PACIFIC RAILWAY COMPANY --  
 FISCAL YEAR ENDING June 30, 1915, and TEN MONTHS  
 ENDING APRIL 30, 1916.

I T E M	Year Ended June 30, 1915	Ten Months Ended April 30, 1916
Railway Operating Revenues	\$5,708,126.27	\$6,173,326.39
Railway Operating Expenses	<u>4,419,936.53</u>	<u>3,968,079.17</u>
Net Revenue	1,288,189.74	2,205,247.22
Railway Tax Accruals	355,032.88	285,792.74
Uncollectible Railway Revenues	1,851.91	- - -
<u>Railway Operating Income:</u>	931,304.95	1,919,454.48
Non Operating Income:		
Rent - Equipment, etc.	50,324.76	74,452.92
Income from Unfunded Securities	3,015.71	20,263.81
Miscellaneous Income	<u>783.28</u>	<u>827.10</u>
<u>Total Non-Operating Income</u>	54,123.75	95,543.83
Gross Income	985,428.70	2,014,998.31
Deductions:		
Interest on Funded Debt	3,113,435.53	- - - - -
Other Interest	4643.39	- - - - -
Rent - Equipment, etc.	357,745.47	368,293.81
Amortization of discount on funded debt	117,319.84	- - - - -
Miscellaneous	<u>5,708.98</u>	<u>1,410.06</u>
<u>Total Deductions</u>	3,598,853.21	369,703.87
Loss for Year	2,613,424.51	- - - - -
Surplus for 10 months- No deduc- tions for interest	- - - -	1,645,294.44

The foregoing table shows a surplus for the ten months ending April 30, 1916, with no deductions for interest, amounting to \$1,645,294.44, as contrasted with a loss of \$2,613,424.51 after deductions for interest, for the fiscal year ending June 30, 1915. Mr. C. M. Levey, Vice President and General Manager of Western Pacific Railway Company prior to the receivership hereinafter referred to, and now President of The Western Pacific Railroad Company, testified that the earnings for the ten months ending April 30, 1916, must be deemed abnormal, for the reason that they include approximately \$560,000 abnormal passenger earnings from the Panama-Pacific International Exposition and \$850,000 abnormal freight earnings due to the closing of the Panama Canal and high water freight rates due to the shortage of vessels resulting from the European conflict. Mr. Levey testified that, in his judgment, this railroad system may reasonably be expected to earn during the next few years, an annual sum of one million dollars in excess of operating expenses and taxes. As bearing upon the net income available for the payment of interest and possible dividends on stock which may reasonably be anticipated, and hence also on the market value of the property on the basis of such net income, Mr. Richard Sachse, this Commission's chief engineer, testified that, in his judgment, the expenditures for maintenance and for betterments during the next few years will be considerably in excess of the expenditures heretofore annually incurred for these items. He referred to expenditures which will be necessary on the property now owned for grading, replacement of ballasting, replacement and reconstruction of bridges, retimbering or concreting of tunnels, replacement of relay or second-hand 75 pound rail with new rail, completion of fencing, development of additional water supply and wharf facilities, elevation of portions of the line of railway, construction of automatic block signals and additional terminal development.

Mr. Sachse made an approximate estimate of \$8,075,000.00 to be expended for these various items during the next few years, which estimate appears in Railroad Commission's Exhibit No. 1.

On June 23, 1905, Western Pacific Railway Company entered into an agreement with The Denver and Rio Grande Railroad Company, The Rio Grande Western Railway Company and Bowling Green Trust Company, in which agreement The Denver and Rio Grande Railroad Company and the Rio Grande Western Railway Company agreed, in effect, to meet all obligations for interest and sinking funds in connection with the first mortgage bonds of Western Pacific Railway Company, in so far as the latter company might be unable to meet these obligations. The agreement covered a number of other matters, including traffic arrangements. For a while, The Denver and Rio Grande Railroad Company and The Rio Grande Western Railway Company met their obligations under this agreement. However, when the interest on the first mortgage bonds of Western Pacific Railway Company, payable on March 1, 1915, became due, The Denver and Rio Grande Railroad Company, a corporation of Colorado and Utah, the successor of The Denver and Rio Grande Railroad Company and The Rio Grande Western Railway Company, parties to the agreement of June 23, 1905, failed to provide the funds necessary to meet said interest requirements. On March 1, 1915, Western Pacific Railway Company defaulted in the payment of interest then due on its first mortgage bonds. Similar default was made on September 1, 1915 and March 1, 1916. On March 2, 1915, The Equitable Trust Company of New York, substitute trustee under the first mortgage or deed of trust of Western Pacific Railway Company, filed a bill to foreclose said mortgage, in the United States District Court for the Northern District of California. The Equitable Trust Company of New York thereafter filed its ancillary bill for such foreclosure in the United States District Court for the District of Utah. Warren Olney, Jr., and Frank G. Drum were appointed receivers of the property and have been in possession thereof

and have operated the same from March 5, 1915, to date. On May 27, 1916, a decree of foreclosure and sale was entered in the proceeding pending in the Northern District of California, in which decree it was provided that the property should be sold by a special master for a minimum sum of eighteen million dollars, which sale is to be held on June 28, 1916. Said decree has been entered of record in the District Court of the United States of Nevada and a decree of similar substance has been entered in the ancillary cause pending in the District Court of the United States for the District of Utah.

Mr. Perry Evans, appearing on behalf of Western Pacific Railway Company, requested at the public hearing herein that the Railroad Commission make its order authorizing Western Pacific Railway Company to sell its property to the purchaser whose bid may hereafter be accepted in said foreclosure proceedings.

The following table shows the general balance sheet of Warren Olney, Jr., and Frank G. Drum, as receivers of the property of Western Pacific Railway Company as of April 30, 1916, including as of April 30, 1916, the accounts originating prior to the receivership:

## GENERAL BALANCE SHEET - WARREN OLNEY, JR., and FRANK G. IRUM, RECEIVERS OF THE PROPERTY OF

## WESTERN PACIFIC RAILWAY COMPANY

APRIL 30, 1916.

A S S E T S				L I A B I L I T I E S			
	Receivers' Account	Prior Account	T O T A L Receivers' Acct. & Prior Acct.		Receiver's Account	Prior Account	T O T A L Receivers' Account & Prior Account
<u>INVESTMENTS</u>				<u>STOCK</u>			
INVESTMENT IN ROAD AND EQUIPMENT	\$ 220,930.39	\$156,485,324.21	156,706,254.60	CAPITAL STOCK: Common Stock, - - - -		\$75,000,000.00	\$ 75,000,000.00
INVESTMENT IN AFFILIATED COMPANIES:				TOTAL STOCK	-	\$75,000,000.00	\$ 75,000,000.00
Capital Stock, Salt Lake City Union Depot & R. R. Co., .....	-	99,900.00	99,900.00	<u>LONG TERM DEBT</u>			
Capital Stock, Standard Realty and Development Company.....	-	175,439.78	175,439.78	FUNDED DEBT UNMATURED:		\$50,000,000.00	\$ 50,000,000.00
Notes Receivable(Standard Realty and Development Company.....	-	203,873.07	203,873.07	1st Mtg. 5% 30-Yr. Gold Bonds.....	-		
				2nd Mtg. 5% Sinking Fund Gold Bonds.....	-	25,000,000.00	25,000,000.00
OTHER INVESTMENTS:				NON-NEGOTIABLE DEBT TO AFFILIATED COMPANIES			
U. S. Govt.,-Land Scrip (Valentine).....	-	1,400.00	1,400.00	Notes payable (The D. & R.G.R.R. Co.)		17,923,369.56	17,923,369.56
TOTAL INVESTMENTS.....	\$ 220,930.39	\$156,965,937.06	157,186,867.45	The D. & R.G.R.R. Co.-Interest Accrued on 2nd Mtg. Bonds, Dec. 31, 1914.....	-	3,750,000.00	3,750,000.00
<u>CURRENT ASSETS</u>				Deficiency Fund (Utah Fuel Co.).....	-	1,413,125.00	1,413,125.00
CASH:				The D. & R.G.R.R. Co.-Expenses Securing Funds for Western Pacific Ry. Co.....	-	100,000.00	100,000.00
Chas. Elsey, Treasurer for Receivers.....	\$1,294,246.37	-	1,294,246.37	The D. & R.G.R.R. Co.-Interest on Adjustment Mtg. Funds prior to withdrawals.....	-	59,621.03	59,621.03
H. C. Bates, Cashier, 'Petty Cash'.....	2,000.00	-	2,000.00	The D. & R.G.R.R. Co. - Interest as of Feb. 28, 1915, on following notes:			
Remittances in Transit, .....	64,869.31	-	64,869.31	On Note for \$11,752,915.45.....	-	1,664,996.32	1,664,996.32
<u>TIME DEPOSITS:</u>				On adjustment Mortgage Notes.....	-	343,853.01	343,853.01
Bank of California, National Association.....	100,000.00	-	100,000.00	On Miscellaneous Notes.....	-	203,647.09	203,647.09
Meromtile National Bank of San Francisco.....	50,000.00	-	50,000.00	T O T A L LONG TERM DEBT :	-	\$100,458,612.01	\$ 100,458,612.01
Stockton Savings & Loan Society.....	25,000.00	-	25,000.00	<u>CURRENT LIABILITIES</u>			
Rideout Smith National Bank, Oroville.....	10,000.00	-	10,000.00	TRAFFIC AND CAR-SERVICE			
Winnemucca State Bank & Trust Company.....	10,000.00	-	10,000.00	BALANCES PAYABLE, .....	\$ 219,265.12	608,186.07	827,451.19
First National Bank of Winnemucca.....	10,000.00	-	10,000.00	ADDED ACCOUNTS AND WAGES PAYABLE:			
Central National Bank, Oakland.....	20,000.00	-	20,000.00	Audited vouchers, .....	228,576.71	574,491.55	603,060.26
Docker, Jewett & Company, Bank of Marysville....	10,000.00	-	10,000.00	Pay Checks.....	212,461.55	1,427.37	213,888.92
California National Bank of Sacramento.....	25,000.00	-	25,000.00	Discharge Checks, .....	7,445.60	624.02	8,069.62
Henderson National Bank, Elko.....	10,000.00	-	10,000.00	Unclaimed Wages.....	872.60	3,083.18	3,955.78
Capital National Bank of Sacramento.....	25,000.00	-	25,000.00	Vouchers and Unclaimed Wages - Checks in payment of which were issued by Treasurer on California Safer Deposit & Trust Co., but were dishonored and paid by reason of suspension of payment by Bank	-	74.55	74.55
Walker Bros. Bankers, Salt Lake City.....	50,000.00	-	50,000.00	Checks drawn on Bank of California, not honored account Receivership	-	3,389.83	3,389.83
Utah State National Bank, .....	50,000.00	-	50,000.00	CURRENT LIABILITIES - Carried Forward.....	\$ 660,621.58	1,191,276.57	\$ 1,859,898.15
<u>SPECIAL DEPOSITS</u>							
Chas. Elsey, Treasurer for Receivers Special Account with Bank of California.....	-	-	-				
The Equitable Trust Co. of New York - Agent,	-	3,060.00	3,060.00				
TRAFFIC AND CAR-SERVICE							
BALANCES RECEIVABLE.....	371,807.18	31,951.09	407,758.27				
CURRENT ASSETS - Carried forward:	\$ 2,127,922.86	\$ 35,011.09	\$ 2,162,933.95				

	Receivers' Account	Prior Account	TOTAL Receivers' Acct. & Prior Account		Receivers' Account	Prior Account	TOTAL Receivers' Acct. & Prior Account
Brought Forward:	\$2,127,922.86	\$ 35,011.09	\$ 2,162,933.95	Brought Forward:	\$ 668,621.58	\$ 1,191,276.57	\$ 1,859,898.15
<u>CURRENT ASSETS - (Cont'd)</u>				<u>CURRENT LIABILITIES - (Cont'd)</u>			
NET BALANCE DUE FROM AGENTS & CONDUCTORS:				MISCELLANEOUS ACCOUNTS PAYABLE:			
Agents and Conductors.....	213,192.15	-	213,192.15	Claim Agents Drafts.....	59.50	-	59.50
Dining Car Conductors & Hotel Managers.....	228.35	-	228.35	Ticket Redemption Drafts.....	430.86	23.11	453.97
Sacramento Bonded Warehouse.....	2,331.38	-	2,331.38	Freight Claim Agents Drafts.....	110.05	-	110.05
MISCELLANEOUS ACCOUNTS RECEIVABLE:				Agents Freight Claim Drafts.....	838.70	35.29	873.99
United States Government.....	43,729.01	6.40	43,735.41	Agents Drafts on Treasurer.....	62,813.77	.76	62,814.53
Foreign Roads, Freight Claim Settlements.....	17,031.39	7,510.97	24,542.36	Trans-Continental Scrip Bureau.....	4,058.61	-	4,058.61
Individuals and Companies.....	44,198.48	114,155.67	158,354.15	Prepaid Bond Charge.....	132,472.10	23,864.80	156,336.90
Freight Charges Collected Thru Treasurer.....	17,353.78	5,565.42	22,919.20	Individuals and Companies.....	1,171.02	-	1,171.02
American Express Company.....	3,254.88	-	3,254.88	INTEREST MATURED UNPAID:			
MATERIALS AND SUPPLIES:				Coupon No. 3, 1st Mortgage 5% 30-Year Gold Bonds	-	25.00	25.00
General Store.....	273,492.88	-	273,492.88	" 4,	-	25.00	25.00
Roadway, Bridge, Bldg. & Transportation Material --				" 5,	-	25.00	25.00
--Western Division.....	93,112.85	-	93,112.85	" 6,	-	25.00	25.00
Roadway, Bridge, Bldg. & Transportation Material --				" 7,	-	150.00	150.00
--Eastern Division.....	26,549.67	-	26,549.67	" 8,	-	25.00	25.00
Shop Material.....	1,920.38	-	1,920.38	" 9,	-	50.00	50.00
Fuel Stock.....	18,580.51	-	18,580.51	" 10,	-	75.00	75.00
Engineering Department Material.....	1,613.40	-	1,613.40	" 11,	-	25.00	25.00
Engineering Property Stored.....	5,817.50	-	5,817.50	" 12,	-	25.00	25.00
Stationary Stock.....	5,479.55	-	5,479.55	" 13,	-	25.00	25.00
Ticket Stock.....	7,044.33	-	7,044.33	" 14,	-	175.00	175.00
War Revenue Tax Stamps.....	59.04	-	59.04	" 15,	-	27.50	27.50
Postage Stamp Stock.....	90.58	-	90.58	" 16,	-	127.50	127.50
Dining Car and Hotel Department.....	7,938.29	-	7,938.29	" 17,	-	130.00	130.00
OTHER CURRENT ASSETS:				" 18,	-	635.00	635.00
O. O. D. Advances (Baggage).....	4.90	-	4.90	" 19,	-	1,490.00	1,490.00
Prepaid Order Advances.....	303.11	-	303.11	" 20,	-	1,250,000.00	1,250,000.00
Advance Charges Unreported.....	95,491.92	11.92	95,503.84	UNMATURED INTEREST ACCRUED:			
Traffic Reports not Received from Foreign Roads...	183,645.91	80.94	183,726.85	Accrued Interest - 2nd Mtg. 5% Sinking Fund			
TOTAL CURRENT ASSETS	\$3,190,387.10	\$ 162,342.41	\$ 3,352,729.51	Gold Bonds, Feb. 29, 1915	-	208,333.33	208,333.33
<u>DEFERRED ASSETS</u>				UNMATURED REINS ACCRUED:			
WORKING FUND ADVANCES:				Sinking Fund for redemption of Bonds of Salt			
Individuals and Companies.....	370.00	-	370.00	Lake City Union Depot & R.R.Co., Apr. 30, 1916	5,000.00	-	5,000.00
Customs Attorney.....	3,540.70	-	3,540.70	OTHER CURRENT LIABILITIES:			
OTHER DEFERRED ASSETS:				Foreign Roads Prepaid Orders.....	302.17	-	302.17
The Equitable Trust Co. 1st Mtg. Trust Funds.....	-	56,731.61	56,731.61	Prepaid Charges Unreported.....	68,255.58	5.58	68,261.16
Due on Contracts for Sale of Ity., - Portola.....	-	2,389.50	2,389.50	Passenger Refunds.....	108.55	-	108.55
DEFERRED ASSETS - Carried Forward	\$3,910.70	\$59,121.11	\$63,031.81	TOTAL CURRENT LIABILITIES	\$944,322.49	\$2,676,599.44	\$3,620,921.93

	Receivers' Account	Prior Account	TOTAL Receivers' Acct. & Prior Account		Receivers' Account	Prior Account	TOTAL Receivers' ACCT. & Prior Account
Brought Forward	\$ 3,910.70	\$ 59,121.11	\$ 63,031.81				
<u>DEFERRED ASSETS</u> (Cont'd)				<u>DEFERRED LIABILITIES</u>			
OTHER DEFERRED ASSETS (Cont'd)				LIABILITIES FOR PROVIDENT FUNDS:			
J. Dalzell Brown, Ex.Tr.,.... \$248,579.11				Hospital Fund, . . . . .	\$ 8,394.06	\$ 15,484.13	\$ 7,090.07
Receiver, Cal.Safe Dep.& Trust Co. 3,000.00				OTHER DEFERRED LIABILITIES:			
\$251,579.11				Collector Internal Revenue - Income Tax on Bond Interest	8.11	38.27	46.38
Less -Amount Collected, from				" " " - Income Tax on Rents	330.83	47.50	378.33
Natl.Surety Co, on bond of				" " " - Income Tax on Salaries	238.65	-	238.65
J.Dalzell Brown,Ex-Tr.				TOTAL DEFERRED LIABILITIES:	\$ 7,816.47	\$ 15,569.90	\$ 7,753.43
(\$50,000.) Dividends from				<u>UNADJUSTED CREDITS</u>			
Receiver Calif.Safe Dep.&				TAX LIABILITY . . . . .	\$ 36,629.82	-	\$ 36,629.82
Tr.Co(\$42,210.53);and col-				ACCRUED DEPRECIATION EQUIPMENT, . . . . .	76,609.41	217,239.55	293,848.96
lections thru Suits from				Other UNADJUSTED CREDITS:			
Stockholders,Cal.Safe Deposit				Revenue received but not yet earned-(Round Trip/Monte)	25,565.94	-	25,565.94
& Tr. Co.....(\$44,436.80) \$136,647.33		114,931.78	114,931.78	Freight Overcharges . . . . .	2,063.35	489.17	2,552.52
TOTAL DEFERRED ASSETS:	\$ 3,910.70	\$ 174,052.89	\$ 177,963.59	Passenger Overcharges, . . . . .	39.47	-	39.47
<u>UNADJUSTED DEBITS</u>				Contract for Sale of Property, . . . . .	-	3,150.00	3,150.00
RENTS & INSURANCE PREMIUMS PAID IN ADVANCE				Advertising Scrip Account, . . . . .	5,825.47	9,378.78	15,204.25
Lease of Oakland Waterfront Lands	\$ 583.35	-	\$ 583.35	Trans-Continental Scrip Account, . . . . .	7,130.33	660.95	6,469.38
Rental Seawall Lot #7, San Francisco, . . . . .	2,302.08	-	2,302.08	Individuals & Companies(Advance Payments Received):	877.83	617.35	1,495.18
Seawall Lot #7,S.F., Improvements, . . . . .	-	13,769.98:	13,769.98	Claim Collections, . . . . .	2,384.29	549.39	2,933.68
Rental Seawall Lot #22, San Francisco, . . . . .	4,291.62	-	4,291.62	J.H. Simmons - Customs Duties, . . . . .	2.50	-	2.50
Seawall Lot #22, S.F., Improvements, . . . . .	6,605.88	-	6,605.88	Insurance Recovered, . . . . .	42.25	8,412.99	8,455.24
Lease of Pier #34, San Francisco . . . . .	-	12,434.76:	12,434.76	Depreciation on Leased Equipment-(The D.& R.G.R.R Co)	17,849.66	29,880.17	47,729.83
Union Belt Line Railway Lease . . . . .	-	116,482.35:	116,482.35	Receipts from Sale of Unclaimed & Refused Freight :	700.17	475.49	1,175.66
Insurance Premiums Paid in Advance, . . . . .	4,310.35	15,990.97:	15,990.97	Unredeemed Coupons (D.O. & Hotels), . . . . .	629.50	18.15	647.65
Fidelity Premiums Paid in Advance, . . . . .	1,419.16	24.28:	4,334.63	Uncollected Freight Charges(Hammon Construction Co):	437.40	-	437.40
DISCOUNT ON FUNDED DEBT:				TOTAL UNADJUSTED CREDITS:	176,787.39	\$ 269,550.09	\$446,337.48
Discount on First Mortgage 5% 30-Year Gold Bonds:	-	383,604.36:	383,604.36	<u>CORPORATE SURPLUS</u>			
Discount on Second Mortgage 5% Sinking Fund	-	5,689,417.80:	5,689,417.80	ADDITIONS TO PROPERTY THU			
Gold Bonds, . . . . .	-	-	-	INCOME & SURPLUS, . . . . .	\$ 2,714.01	-	2,714.01
OTHER UNADJUSTED DEBITS:				PRMT & LOSS - BALANCE (per detail on			
Freight Claim Dept.-Unadjusted Claims, . . . . .	14,827.40	8,362.11:	23,189.51	Pages Nos. 4 and 5), . . . . .	11,994,565.13	14,537,248.53	12,542,683.40
Foreign Roads Arbitrary Absorbed . . . . .	969.70	-	969.70	TOTAL CORPORATE SURPLUS:	1,997,279.14	14,537,248.53	12,539,969.39
Flanigan Gravel Pit . . . . .	570.00	-	570.00	Not Assets of Western Pacific Ry.Co.Colleected and			
Renewal Fund -Dining Cars-Crockery & Glassware	128.76	-	128.76	or appropriated by the Receivers,between March			
TOTAL UNADJUSTED DEBITS:	\$ 36,008.30	6,240,086.61:	6,276,094.91	5,1915, and Apr.30,1916,per detail on Pages #67,829	340,663.94	340,663.94	
GRAID TOTALS:	\$3,451,236.49	\$163,542,410.97:	166,993,655.46	GRAID TOTALS:	\$3,451,236.49	\$163,542,418.97	\$166,993,655.46



The current assets in the hands of the receivers on April 30, 1916, as shown by Table No. IV, were \$2,162,933.95. On the day of the hearing herein, the current assets, as testified to by Mr. Evans, were \$1,855,101.32, consisting of \$395,000.00 in special deposits and \$1,460,101.32 in banks.

The following table shows the remaining undischarged obligations and liabilities of Warren Olney, Jr., and Frank G. Drum, as receivers of the property of Western Pacific Railway Company, in so far as they may be ascertained by said receivers, as of June 30, 1916:

TABLE NO. V.

OBLIGATIONS AND LIABILITIES OF WARREN OLNEY, JR.,  
AND FRANK G. DRUM, AS RECEIVERS OF THE PROP-  
ERTY OF WESTERN PACIFIC RAILWAY COMPANY,  
JUNE 30th, 1916.

Audited Vouchers . . . . .	\$	175,848.88
Pay Checks . . . . .		241,375.34
Discharge Checks . . . . .		7,280.21
Unclaimed Wages. . . . .		749.85
Foreign Roads - Freight Traffic Balances . . . . .		179,602.55
Do Freight Claims . . . . .		1,414.87
Do Passenger Traffic Balances . . . . .		21,753.37
Do Prepaid Ticket Orders. . . . .		848.66
Do Car-Service Balances . . . . .		58,449.01
Prepaid Beyond Charges . . . . .		70,904.69
Prepaid Freight Charges Unreported . . . . .		56,424.62
Freight Overcharges. . . . .		1,899.34
Agents Drafts on Treasurer . . . . .		40,067.68
Freight Claim Agents Drafts. . . . .		2,117.46
Agents Freight Claim Drafts. . . . .		191.83
Trans-Continental Scrip. . . . .		7,401.53
Advertising Scrip. . . . .		5,475.47
Trans-Continental Scrip Bureau . . . . .		6,061.03
Ticket Redemption Drafts . . . . .		496.22
Passenger Overcharges. . . . .		29.81
Passenger Refunds. . . . .		108.55
C.O.D. Advances (Baggage). . . . .		-- --
Individuals and Companies. . . . .		1,419.37
Collector Internal Revenue - Income Tax Bond . . . . .		1.75
Do Income Tax Rents. . . . .		110.75
Do Income Tax Salaries . . . . .		49.98
Claim Agents Drafts. . . . .		59.50
Unredeemed Meal Coupons (Dining Car and Hotels). . . . .		629.50
Tax Liability. . . . .		90,623.34
Unmatured Rents Accrued, Salt Lake Union Depot . . . . .		6,166.66
Accrued Interest on Bonds Salt Lake Union Depot. . . . .		3,082.18

Estimated Contingent Liabilities

Freight Claims Unvouchered . . . . .	61,060.11
Federal Income Tax, year 1915. . . . .	14,080.35
Personal Injury-Livestock and damage to property claims. . . . .	52,000.00
	<u>\$1,107,784.46</u>

CAR EQUIPMENT LIABILITIES

Cash . . . . .	\$	372,170.00
Notes. . . . .		<u>600,000.00</u>

Total . . . . . \$2,079,954.46

Expenditures authorized by orders of  
 court on which work has been commenced \$319,000.00

of which amount there is unexpended  
 and not included in the audited vouchers 225,000.00

GRAND TOTAL \$2,304,954.46

On May 1, 1915, on which day Western Pacific Railway Company first defaulted in the payment of interest on its first mortgage bonds, an agreement was entered into between a reorganization committee of twelve members and such of the holders of the first mortgage bonds of Western Pacific Railway Company as might thereafter become parties thereto. Under this agreement, a plan and agreement for reorganization were prepared by the reorganization committee on December 15, 1915. Without referring to all the details of said plan, the plan, in effect, provides as follows: that a new corporation, referred to as the "Operating Company", is to be incorporated for the purpose of acquiring title to and operating the property of Western Pacific Railway Company; that a new corporation, referred to as the "Holding Company", is to be incorporated, which corporation is to own the entire stock of the "Operating Company", except directors' shares, the interest in any deficiency judgment against Western Pacific Railway Company apportionable to bonds deposited under the plan and the claims against The Denver and Rio Grande Railroad Company arising under the contract of June 23, 1905 or under any guarantees endorsed upon the first mortgage bonds of Western Pacific Railway Company; that the property of Western Pacific Railway Company is to be acquired by the new "Operating Company" substantially in exchange for the issue of common capital stock of the "Operating Company" amounting to \$47,500,000.00 and preferred stock in the sum of \$27,500,000.00, less the qualifying shares of directors, together with an expenditure of cash to be derived from the sale of first mortgage bonds of the "Operating Company" in an amount not in excess of the sum of two million dollars, for the purpose of paying the distributive shares of non-assenting bondholders and paying expenses in connection with the reorganization; that the "Operating Company" is to authorize an issue of first mortgage bonds of the face value of fifty million dollars, of which bonds twenty million dollars are to be sold immediately at not

less than 90% of their face value plus accrued interest; that the proceeds from the sale of said bonds, together with the sum of \$600,000.00 which it is assumed will be remaining in the hands of the receivers, are to be used substantially to the extent of \$2,000,000.00 for the distributive shares of non-assenting bondholders and for the payment of expenses of reorganization, \$2,579,750.00 for betterments of the existing property, \$3,514,000.00 for the acquisition of new passenger and freight equipment for the "Operating Company" and \$10,506,250.00 for the purchase or construction of extensions and feeders and other purposes hereinafter referred to, including a possible protection of the claims against The Denver and Rio Grande Railroad Company; that holders of the bonds of Western Pacific Railway Company may purchase at 90% of face value, plus accrued interest, bonds of the "Operating Company" equal in principal amount to 40% of the principal amount of their deposited bonds, in which event they will receive, in addition to such new bonds, preferred stock of the "Holding Company" to an amount in par value equivalent to 55% of the principal amount of the deposited bonds and common stock of the "Holding Company" to an amount <sup>in</sup> par value, equal to 95% of the principal amount of the deposited bonds; that if a depositor of bonds of Western Pacific Railway Company does not desire to purchase new bonds, he will be entitled to receive, in exchange for his deposited bonds, preferred stock of the "Holding Company" in an amount equal in par value to 50% of the principal amount of his deposited bonds and common stock of the "Holding Company" equal in amount, par value, to 75% of the principal amount of the deposited bonds; that the cash payable by subscribers to the new bonds shall be paid in installments upon call of the reorganization committee or of the board of directors of the "Operating Company"; that depositors who may elect to purchase new bonds and to pay for the same in full when the first installment of the purchase price is due, may

borrow money from the underwriting syndicate or lenders to be provided by said syndicate; in an amount not to exceed 90% of the purchase price of the new bonds; that such of the new bonds as may not be purchased by the depositors are to be taken by an underwriting syndicate at 90 and accrued interest; which syndicate has agreed to take all of said bonds of the face value of twenty million dollars not subscribed for by the depositors and is to receive for each \$900.00 of cash paid for such bonds \$1000.00 principal amount of new bonds, and \$125.00, par value, of preferred stock and \$500.00, par value, of common stock of the "Holding Company"; that the underwriting syndicate, if the plan shall be declared operative, is to be paid a cash commission of \$400,000.00 and that The Equitable Trust Company of New York, Blair & Co., William Salomon & Co., and E. H. Rollins & Sons, who have undertaken to form the syndicate, are to be paid an additional sum in cash of \$100,000.00; that the claims of depositing bondholders against The Denver and Rio Grande Railroad Company arising either out of said agreement of June 23, 1905, or guarantees by The Denver and Rio Grande Railroad Company on the individual first mortgage bonds of Western Pacific Railway Company, shall be assigned to the "Holding Company" and that such proceeds as the "Holding Company" may derive from such claims shall be disposed of as provided in the plan; that no provision is to be made for the allotment of any property or of any of the securities or moneys provided by the plan to holders of second mortgage bonds, to unsecured creditors or to stockholders of Western Pacific Railway Company; and that the reorganization committee shall have power to declare the plan operative.

The holders of approximately \$47,481,100.00 of the first mortgage bonds of Western Pacific Railway Company out of the total issue of fifty million dollars have deposited their bonds under said plan and agreement and the plan has been declared operative. Of the remaining bonds not deposited, some 40% are held

in Germany and other portions of Europe, from which they cannot at the present time be safely transmitted. Approximately \$7,500,000 of the proposed twenty million dollars issue of bonds of the "Operating Company" have been subscribed for by holders of the existing bonds of Western Pacific Railway Company. The underwriting syndicate will thus be called upon to take approximately \$12,500,000 of said issue of bonds. The call for the various installments of these bonds will be deferred in so far as reasonably possible so as to prevent the unnecessary accumulation of interest on funds not immediately used.

In order to carry out said plan and agreement, the reorganization committee has caused the incorporation in California of The Western Pacific Railroad Company, one of the petitioners herein, which is to act as the "Operating Company" referred to in the plan. The Western Pacific Railroad Company was incorporated on June 5, 1916, for the term of fifty years. The company is given power to acquire, operate and maintain the property now belonging to Western Pacific Railway Company and to construct, purchase, maintain and operate other lines of railroad in the states of California, Nevada and Utah. The articles confer power specifically to <sup>purchase or</sup> construct a number of branch lines in California, including branch lines from Carbonsa, San Joaquin County, <sup>to</sup> Tesla, Alameda County, a distance of twenty miles; from Hawley, Plumas County, to Boca, Nevada County, a distance of forty miles; from Lathrop, San Joaquin County, to Porterville, Tulare County, a distance of one hundred and eighty miles; from Niles, Alameda County, through San Jose to Los Gatos, Santa Clara County, a distance of twenty-eight miles; from Stockton, San Joaquin County, to Byron, Contra Costa County, a distance of eighteen miles; from Lodi, San Joaquin County, to Isleton, Sacramento County, a distance of twenty-five miles; and from Sacramento, Sacramento County, to Newcastle, Placer County, a distance of twenty-eight miles. The

estimated length of the main line of railroad and of said branch lines is alleged to be thirteen hundred miles. The corporation is authorized to issue capital stock of the par value of seventy-five million dollars, consisting of 750,000 shares of the par value of \$100.00 each. The authorized capital stock is divided into \$27,500,000.00, par value, of preferred stock and \$47,500,000.00, <sup>par</sup>value, of common stock. The preferred stock is non-cumulative and is to receive dividends, if earned, at the rate of but not to exceed 6% per annum out of the surplus profits of the corporation for each fiscal year. The directors are empowered, if they consider such course advisable, to distribute, pro rata, without preference or priority, to all the stockholders of the corporation, such cash or securities as may be received on account of the claims of the holders of the existing first mortgage bonds of Western Pacific Railway Company against The Denver and Rio Grande Railroad Company. The preferred stock is to have preference in distribution of assets. The board of directors may at any time redeem the whole or any part of the outstanding preferred stock on any dividend date at \$105.00 per share and accrued dividends. Any holder of preferred stock may at any time convert such stock into common stock, dollar for dollar of par value, by presenting and surrendering his common stock. The articles provide that all the stock of the corporation shall be non-assessable.

It is provided that the corporation shall not incur any bonded indebtedness secured by mortgage upon its property, in excess of fifty million dollars, principal amount of bonded indebtedness, without the consent of the holders of at least two-thirds in amount of all the capital stock of each class then outstanding.

Provision is made that if the corporation should acquire any claim or claims against The Denver and Rio Grande Railroad Company arising out of the agreement of June 23, 1905, or any endorsement or guarantee of The Denver and Rio Grande Railroad Company

upon the first mortgage bonds of Western Pacific Railway Company, no settlement or compromise of such claims shall be effectual unless authorized or ratified by the owners of two-thirds of the outstanding capital stock.

The articles recite that capital stock of the par value of \$1,500,000.00 has been subscribed for and that at least 10% of the capital stock subscribed for has been paid to the treasurer of the corporation.

The Western Pacific Railroad Company has made arrangements through three individuals, referred to as the "Purchasers", to bid for the property of Western Pacific Railway Company at the sale on June 26, 1916. The agreement between these "Purchasers" and The Western Pacific Railroad Company is set forth in copy of agreement which is marked Exhibit "K" and attached to the petition herein.

The "Purchasers" and the members of the reorganization committee are joined as parties to this petition, but the Railroad Commission's consent would not seem to be necessary to any act contemplated to be performed by them.

The Western Pacific Railroad Company now asks authority from the Railroad Commission to perform the following acts:

1. To issue \$47,500,000.00, par value, of common stock and \$27,500,000.00, <sup>par value</sup> of non-cumulative preferred stock.

Thirteen shares of common stock having a par value of \$1300.00 are to be issued to the thirteen directors of the corporation, when said stock has been paid for in full. 474,987 shares of the common capital stock having a par value of \$47,498,700.00 and 275,000 shares of the preferred stock, having a par value of \$27,500,000.00, are to be issued to the "Holding Company" in payment, together with not to exceed the sum of two million dollars to be derived from the sale of first mortgage bonds, for the existing property of Western Pacific Railway Company. The "Holding



Company" will hereafter be incorporated under the laws of Delaware and will issue its own stock, consisting of common stock of the par value of \$47,500,000.00 and preferred stock of the par value of \$27,500,000.00, to the reorganization committee, which committee will distribute said stock among the depositing bondholders and otherwise dispose of the same as provided in the plan.

2. To issue first mortgage gold bonds of the face value of twenty million dollars, being portion of an issue to be authorized in the sum of fifty million dollars, face value, to be secured by a first mortgage on the property of The Western Pacific Railroad Company. These bonds are to mature on March 1, 1946, the first issue is to bear interest at the rate of 5% per annum and all the bonds are to be redeemable at par and accrued interest.

The proceeds from the sale of said bonds, which are to be sold at 90% of their face value, plus accrued interest, together with the sum of \$600,000.00 in cash to be secured from the receivers, are to be used as follows:

- a. To pay the distributive shares of non-assenting bondholders, underwriting commission, expense of foreclosure and reorganization, including court costs, compensation and allowances of the receivers and their counsel, the mortgage trustee and its counsel, taxes on the creation and issue of new securities, the compensation and expenses of the protective and reorganization committees, their depositaries and counsel, the fees of engineering, accounting and other experts, engraving and printing and miscellaneous requirements, \$2,000,000.00.
- b. For betterments of the existing property, \$2,579,750.00.
- c. For the acquisition of new passenger and freight equipment, \$3,514,000.00

d. For the acquisition of extensions and feeders and additional new property, the payment of the receivers' car trust obligations, the establishment of working capital, the making good of possible deficits in the funds provided for in a, b, and c and for a possible protection of the claims against The Denver and Rio Grande Railroad Company, \$10,506,250.00

3. To execution to First Federal Trust Company and Alvin W. Krech, trustees, a deed of trust or mortgage to secure the proposed issue of first mortgage bonds of the face value of fifty million dollars, substantially in the form attached to the petition herein, marked Exhibit "F".

Petitioners stated at the hearing that The Western Pacific Railroad Company desired to make a number of alterations in the draft of the mortgage or deed of trust attached to the petition herein. When such alterations have been made, a revised deed of trust or mortgage may be presented to the Railroad Commission and may thereafter be made the subject of a supplemental order.

The following table shows the indebtedness, capital stock and the interest charges of Western Pacific Railway Company and of The Western Pacific Railroad Company, if the reorganization as contemplated in the plan hereinbefore referred to is accomplished:

Table No. VI.

INDEBTEDNESS, CAPITAL STOCK, AND INTEREST CHARGES

OF

WESTERN PACIFIC RAILWAY COMPANY

AND

THE WESTERN PACIFIC RAILROAD COMPANY.

Obligations, Capital Stock Outstanding.	Western Pacific Railway Company (Old Company)	The Western Pacific Railroad Company (New Company)
First Mortgage Bonds	\$50,000,000.00	\$20,000,000.00
Second Mortgage Bonds	25,000,000.00	None
Unsecured Debt	26,800,000.00	None
Miscellaneous Claims ascertained by receivers	163,625.54	None
Capital Stock	75,000,000.00	75,000,000.00 (Preferred, \$27,500,000) (Common 47,500,000)
Interest Charges: (First Mortgage Bond Interest)	2,500,000.00	1,000,000.00
Other Interest (as of date of appointment by receivers).....	2,200,000.00 (accruing but in principal part never paid).	None

The data with reference to Western Pacific Railway Company is given as of December 15, 1915. The unsecured debt, miscellaneous claims and other interest charges are somewhat modified as of the present time. While the entire capital stock of The Western Pacific Railroad Company, amounting to \$75,000,000.00, par value, will be issued to the "Holding Company", there will be somewhat less than this amount of the capital stock of the "Holding Company" in the hands of the public by reason of the fact that certain of the bondholders of Western Pacific Railway Company have not assented to the plan and that the preferred and common stock of the "Holding Company" which otherwise would have been transferred to them by the reorganization committee will hereafter be returned to the treasury of the "Holding Company" to the extent to which it may remain in the hands of the reorganization committee after the payment of certain reorganization expenses.

In so far as the capital stock and indebtedness are concerned, the net result of the reorganization, if carried out according to the plan, will be to eliminate \$75,000,000, par value, of capital stock, \$50,000,000, face value, of first mortgage bonds, \$25,000,000, face value, of second mortgage bonds, unpaid interest on said bonds, together with other indebtedness in excess of \$25,000,000, of Western Pacific Railway Company and to substitute therefor \$47,500,000, par value, of common stock, <sup>and</sup> \$27,500,000, par value, of preferred stock of The Western Pacific Railroad Company. The twenty million dollars, face value, of first mortgage bonds to be issued by The Western Pacific Railroad Company are not to be considered in making this comparison, for the reason that the proceeds of said bonds, amounting <sup>to</sup> approximately eighteen million dollars, <sup>with the exceptions herein noted,</sup> will be invested in new property. When this investment has been made, the bond interest charges of the new company will be only one million dollars per year as contrasted

with bond interest charges amounting to \$2,500,000 of the existing company. Assuming that the expenditure of the moneys to be derived from the sale of the first mortgage bonds of the face value of twenty million dollars will result in the addition to the existing property of 250 miles of branch lines and extensions, the total bonded indebtedness of the new company will be less than twenty thousand ~~million~~ dollars per mile as contrasted with a bonded indebtedness of the Southern Pacific Company for the fiscal year ending June 30, 1914, of \$60,669.00 per mile and a bonded indebtedness of The Atchison, Topeka and Santa Fe Railway Company during the same period of \$28,712.00 per mile.

The foregoing comparisons would seem to indicate that from the point of view of the success of the new railroad, the plan of reorganization presented to the Railroad Commission is an excellent plan. We may reasonably expect that even during the first few years, the reorganized railroad will have no difficulty in earning the interest on the first mortgage bonds which it proposes to issue. While it is probable that full dividends will not be earned on the preferred stock for a number of years to come, it is reasonable to assume that with the <sup>construction</sup> ~~extension~~ of feeders as contemplated, the property will in time be able to pay dividends on the preferred stock as well as interest on its indebtedness. The common stock will represent such equity as there may exist in the property. While the market value of the property, as deduced from its earning capacity, is unquestionably considerably less than the face value of the securities provided in the plan of reorganization, the plan presented is a very great improvement over the financial setup of Western Pacific Railway Company and commends itself to us as worthy of adoption. With an improvement in its financial condition, the new company will no doubt at an early date desire to make appropriations for the increased safety of its passengers and the public by the gradual installation of

a block signalling system and the elimination of dangerous grade crossings.

The Railroad Commission will, at the present time, give its general approval to the proposed plan of reorganization, in so far as its approval is necessary. Supplemental orders will hereafter be made when the purchaser of the property of Western Pacific Railway Company has been definitely ascertained, when the purposes for which the proceeds of the bonds to be issued by The Western Pacific Railroad Company have been presented to the Railroad Commission in detail and when a copy of the proposed mortgage or deed of trust of The Western Pacific Railroad Company, in its final form, has been presented to the Railroad Commission. The authorization to Western Pacific Railway Company to convey its property will, as usual, contain a description of such property, and also a provision that the purchaser will never claim, before the Railroad Commission or any court or other public body, any value, in any proceeding, for its franchises or permits in the State of California in excess of the sum paid therefor by the original grantee. The petition herein alleges that none of the stock or bonds of The Western Pacific Railroad Company are to be issued or used in capitalizing the right to be a corporation, or any franchise or permit, or the right to own, operate or enjoy any such franchise or permit, or any contract for consolidation or lease.

We are of the opinion that the reorganization committee should be commended for having presented to the Railroad Commission a plan of reorganization under which Western Pacific Railway Company, in its reorganized form, may have a fair chance to succeed and to fulfill the high hopes which were entertained by the people of California when the railroad was constructed.

O R D E R .

WESTERN PACIFIC RAILWAY COMPANY having applied to the Railroad Commission for an order authorizing the conveyance of its entire property to the successful bidder for said property on foreclosure and sale in the case of The Equitable Trust Company of New York as Trustee, Complainant, vs. Western Pacific Railway Company, et al., Defendants, Equity No. 169, now pending in the District Court of the United States for the Northern District of California, and THE WESTERN PACIFIC RAILROAD COMPANY having applied to the Railroad Commission for an order authorizing the issue of capital stock and first mortgage bonds, as hereinafter set forth, and the execution of a deed of trust or mortgage to First Federal Trust Company and Alvin W. Krech, trustees, to secure an authorized issue of first mortgage five per cent bonds of a total face value of fifty million dollars, and a public hearing having been held on said application, and the Railroad Commission finding that the purposes for which said capital stock and bonds are to be used are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED as follows:

I.

Western Pacific Railway Company is hereby authorized to sell and convey its entire property to the successful bidder for said property in the foreclosure proceedings now pending in the District Court of the United States for the Northern District of California, in the proceeding entitled The Equitable Trust Company of New York, as Trustee, Complainant, vs. Western Pacific Railway Company, et al., Defendants, Equity No. 169; provided, that no conveyance of said property shall be executed until the Railroad Commission shall have issued a supplemental order naming the purchaser, <sup>if</sup> describing the property to be conveyed and prescribing such conditions,

any, as the Railroad Commission may find to be just and proper.

II.

If The Western Pacific Railroad Company or its agents shall be the successful bidder for the property of Western Pacific Railway Company in the foreclosure proceedings referred to in the first paragraph of this order, the Railroad Commission will hereafter make its supplemental order herein, authorizing The Western Pacific Railroad Company to issue 475,000 shares of its common capital stock of the par value of \$47,500,000.00, 275,000 shares of its preferred capital stock of the par value of \$27,500,000.00 and \$20,000,000.00, face value, of its first mortgage gold bonds to mature on March 1, 1946, and to bear interest at the rate of 5 per cent per annum, payable on the first days of March and September, and to be redeemable at the face amount thereof and accrued interest thereon, on the following conditions and not otherwise, to-wit:

a- The Western Pacific Railroad Company will be authorized to issue 13 shares of its common capital stock of the par value of \$100.00 each, to its thirteen directors, one share to each director, upon the payment for said capital stock, in cash at par.

b- The Western Pacific Railroad Company will be authorized to issue 474,987 shares of its common capital stock of the par value of \$47,498,700.00 and 275,000 shares of its non-cumulative 6 per cent preferred stock of the par value of \$27,500,000.00 to a Holding Company, to be hereafter incorporated, in total payment, with the exception of a sum not to exceed \$2,000,000.00 in cash, hereafter referred to, for the entire property of Western Pacific Railway Company.

c- The Western Pacific Railroad Company will be authorized to issue its first mortgage 5 per cent gold bonds of the face value of \$20,000,000.00, to be secured by the deed of trust or mortgage hereinafter referred to, on the following conditions and not otherwise:



(1) Said bonds shall be sold so as to net The Western Pacific Railroad Company not less than 90 per cent of their face value, plus accrued interest.

(2) The proceeds from the sale of said bonds shall be used for such purposes as shall hereafter be specified in a supplemental order or orders, when detailed statements of the purposes for which said expenditures are to be incurred shall have been filed by The Western Pacific Railroad Company, such purposes, in general, being as follows:

(a) To pay the distributive shares of non-assenting bondholders, underwriting commission, expenses of foreclosure and reorganization, including court costs, compensation and allowances of the receivers and their counsel, the mortgage trustee and its counsel, taxes on the creation and issue of new securities, compensation and expenses of the protective and reorganization committees, their depositaries and counsel, fees of engineering, accounting and other experts, engraving, printing and miscellaneous requirements, not to exceed the sum of \$2,000,000.00.

(b) For betterments to the existing property of Western Pacific Railway Company, not to exceed the sum of \$2,579,750.00.

(c) For the acquisition of new passenger and freight equipment, not to exceed the sum of \$3,514,000.00.

(d) For the acquisition by purchase, construction or otherwise of extensions and feeders, including payment of interest during construction, the acquisition of additional new property, the payment of receivers' car trust obligations, the provision of working capital, and the possible protection of claims against The Denver and Rio Grande Railroad Company, not to exceed the sum of \$10,506,250.00.

III.

Such supplemental order or orders as are hereafter

issued herein with reference to the issue of capital stock and bonds will contain the usual conditions with reference to accounting, the time within which the authority granted shall be exercised and the payment of the fee on the issue of bonds.

IV.

If The Western Pacific Railroad Company or its agents shall be the successful bidder at foreclosure sale in said proceeding now pending in the District Court of the United States for the Northern District of California, said company may hereafter present to the Railroad Commission its proposed deed of trust or mortgage to First Federal Trust Company and Alvin W. Krech, as trustees, in its revised form, whereupon, if satisfactory in form and substance, the Railroad Commission will make a supplemental order authorizing the execution of such deed of trust or mortgage.

V.

In so far as the Railroad Commission's consent may be necessary to the execution of the plan of reorganization referred to in the opinion which precedes this order, in respects which have not been covered by the preceding sections of this order, the Railroad Commission hereby gives its consent to the execution of said plan of reorganization, subject to the terms and conditions of the foregoing sections of this order.

Dated at San Francisco, California, this 22<sup>nd</sup> day of June, 1916.

Max Thelen  
H. D. Loveland  
W. J. Gordon  
Edwin O. Edgerton  
Commissioners.