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Decision No. ✓.

ORIGINAL

Decision No. 3723

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA.

In the matter of the application
of OAKLAND, ANTIOCH AND EASTERN
RAILWAY for permission to issue
a certain note.

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Application

No. 2563.

Jesse Steinhart for Applicant.

BY THE COMMISSION.

O P I N I O N .

This is an application of Oakland, Antioch
and Eastern Railway for permission to issue a note to
Central Trust Company of New York for the purpose of
renewing the following described note, which is now
outstanding.

<u>Payee</u>	<u>Principal</u>	<u>Date</u>	<u>Term</u>	<u>Int.</u>	<u>Security</u>
Central Trust Co. of New York.	\$50,000.	April 3, 1916	6 mos.	6%	\$100,000. First Mortgage Thirty year Five per cent. Gold Bonds of Oak- land, Antioch and Eastern Railway.

The note which applicant desires to renew was originally issued December 3, 1913, for \$200,000. Witness for applicant testified that the proceeds from said note were used for construction, labor and material. Thereafter said note was renewed from time to time as follows:

April 3, 1914	for	\$100,000.
Oct. 3, 1914	for	75,000.
April 3, 1915	for	70,000.
Oct. 3, 1915	for	60,000.
April 3, 1916	for	50,000.

It appears that the renewal note dated April 3, 1915, was issued under authority of this Commission's Decision No. 1982 (Volume 5, Opinions and Orders of the Railroad Commission of California, page 816). It does not appear, however, that the subsequent renewals of this note were authorized by the Commission. Attorney for applicant stated at the hearing of this application that this failure to secure the Commission's approval arose through inadvertence and not through any wilful intent to violate the provisions of the Public Utilities Act.

This Commission has heretofore authorized applicant to pledge certain of its First Mortgage Thirty-year Five Per Cent. Gold Bonds as security for notes upon the condition that the face value of said notes should not be less than sixty per cent. of the face value of the bonds pledged as collateral (see Decision No. 771, Volume 3, Opinions and Orders of the Railroad Commission of California, page 24). In the present in-

stance this condition of the Commission's order has been disregarded, \$100,000. face value of bonds being pledged for a note in the principal sum of \$50,000. Attorney for applicant stated that this condition arose through failure on the part of the payee to return all of the bonds demanded by the company when payments were made upon account of principal. Assurance was given the Commission, however, that any new note issued hereunder will be secured in accordance with the Commission's orders.

After a consideration of the evidence submitted by applicant it appears that this application may be granted, subject, however, to the terms of the following order.

O R D E R

OAKLAND, ANTIOCH AND EASTERN RAILWAY having applied to this Commission for authority to issue a promissory note to Central Trust Company of New York for the purpose of renewing a note in the principal sum of \$50,000, as hereinbefore more fully set forth,

And a hearing having been held and it appearing to this Commission that applicant's request is reasonable and should be granted, and that the purpose for which it is proposed to issue said note is not reasonably chargeable in whole or in part to operating expenses or to income,

IT IS HEREBY ORDERED that Oakland, Antioch and Eastern Railway be, and it is hereby, authorized to issue a promissory note in the principal sum of \$50,000, or in a lesser amount, for the purpose of renewing in whole or in part the following promissory note now outstanding:

<u>Payee</u>	<u>Principal</u>	<u>Date</u>	<u>Term</u>	<u>Int.</u>
Central Trust Co. of New York.	\$50,000.	Apr. 3, 1916	6 mos.	6%

IT IS HEREBY FURTHER ORDERED that Oakland, Antioch and Eastern Railway be, and it is hereby, authorized to pledge its First Mortgage Thirty-year Five per cent. Gold Bonds as security for the note herein authorized to be issued, in such ratio that the face value of said note shall not be less than sixty per cent. of the face value of the bonds pledged as collateral.

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

1. The note herein authorized to be issued shall be issued only to Central Trust Company of New York and at a rate of interest not to exceed six (6%) per cent. per annum.

2. The note herein authorized to be issued shall be issued so as to net applicant the full face value thereof.

3. The note herein authorized to be issued shall be made payable during a period not exceeding one

year from the date of the maturity of the note to be refunded. Applicant may issue and reissue said note for a term of less than one year, provided that the aggregate of said terms shall not exceed one year in any instance from the date of the maturity of the note refunded.

4. As the principal of the note herein authorized is paid off, bonds pledged as collateral shall be released in such an amount that the face value of the note shall never be less than sixty per cent. of the face value of the bonds pledged as collateral to secure the payment thereof.

5. Applicant shall report in writing to the Railroad Commission after the issue of the note and the pledge of the bonds herein authorized, as required in General Order No. 24, said order being made a part of this order so far as the same is applicable.

Dated at San Francisco, California, this 30th
day of September, 1916.

Max Thelen

Max Gordon

Frank R. DeLoe

Commissioners.