

Decision No. _____.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application for authority to sell the properties of LINCOLN NORTHERN RAILWAY COMPANY, a corporation, to CENTRAL PACIFIC RAILWAY COMPANY, a corporation.

Application No. 2904.

In the Matter of the Application for authority to sell the properties of COAST LINE RAILWAY COMPANY, a corporation, to SOUTHERN PACIFIC RAILROAD COMPANY, a corporation.

Application No. 2905.

In the Matter of the Application for authority to sell the properties of HANFORD & SUMMIT LAKE RAILWAY COMPANY, a corporation, to SOUTHERN PACIFIC RAILROAD COMPANY, a corporation.

Application No. 2906.

In the Matter of the Application for authority to sell the properties of OROVILLE & NELSON RAILROAD COMPANY, a corporation, to SOUTHERN PACIFIC RAILROAD COMPANY, a corporation.

Application No. 2907.

In the Matter of the Application for authority to sell the properties of COLUSA AND HAMILTON RAILROAD COMPANY, a corporation, to SOUTHERN PACIFIC RAILROAD COMPANY, a corporation.

Application No. 2908.

In the Matter of the Application for authority to sell the properties of MOJAVE AND BAKERSFIELD RAILROAD COMPANY, a corporation, to SOUTHERN PACIFIC RAILROAD COMPANY, a corporation.

Application No. 2909.

Gay V. Shoup for applicants.

DEVLIN, COMMISSIONER.

O P I N I O N .

The above entitled applications were consolidated for hearing and decision.

In Application Number 2904, LINCOLN NORTHERN RAILWAY COMPANY, organized in March 1907, asks authority to sell and transfer its properties, described in the indenture attached hereto and

marked Exhibit I, to Central Pacific Railway Company for \$16,087.63 cash, plus the assumption of an indebtedness amounting to \$23,906.33, making a total consideration of \$39,993.96.

In Application Number 2905, COAST LINE RAILWAY COMPANY, organized in April, 1905, asks authority to sell its properties described in the indenture attached hereto and marked Exhibit II, to Southern Pacific Railroad Company for \$10,665.12 in cash and the assumption of bonded indebtedness and accrued interest thereon amounting to \$707,000.00, making a total consideration of \$717,665.12.

In Application No. 2906, HANFORD AND SUMMIT LAKE RAILWAY COMPANY, organized in June, 1910, asks authority to sell its properties described in the indenture attached hereto and marked Exhibit III, to Southern Pacific Railroad Company for \$58,305.26 in cash plus the assumption of an indebtedness amounting to \$721,961.47, making a total consideration of \$780,266.73.

In Application No. 2907, OROVILLE AND NELSON RAILROAD COMPANY, organized in January, 1907, asks authority to sell its properties described in the indenture attached hereto and marked Exhibit IV, to Southern Pacific Railroad Company for \$17,392.65 in cash plus the assumption of an indebtedness amounting to \$11,620.43, making a total consideration of \$29,013.08.

In Application No. 2908, COLUSA AND HAMILTON RAILROAD COMPANY, organized in July, 1911, asks authority to sell its properties described in the indenture attached hereto and marked Exhibit V, to Southern Pacific Railroad Company for \$70,595.79, plus the assumption of an indebtedness of \$1,739,332.09, making a total consideration of \$1,809,927.88.

In Application No. 2909, William Sproule, W.R. Scott and E.O. McCormick, trustees of MOJAVE AND BAKERSFIELD RAILROAD

COMPANY, organized in October, 1910, ask authority to sell its properties described in the indenture attached hereto and marked Exhibit VI to Southern Pacific Railroad Company for a cash payment of \$40,320.04.

All of the subscribed and issued capital stock, except shares necessary to qualify directors, of the aforementioned companies which desire to sell their properties, is owned by the Southern Pacific Company, which in turn owns all of the stock, except shares necessary to qualify directors, of the Southern Pacific Railroad Company and Central Pacific Railway Company.

Authority to sell and transfer the properties is desired at this time because of certain provisions of the Clayton Anti-Trust Act, and for the purpose of economy in operation and accounting.

The purpose of organizing the corporations, which now desire to sell their properties, was to construct lines of railway connecting the following points:

| Name of Company | Miles | T e r m i n i | |
|--------------------------|--------|----------------------------------|------------------------------------|
| | | From | To |
| 1.-Lincoln Northern | 11.200 | Lincoln, Placer Co. | Dairy Farm Mine, Placer County. |
| 2.-Coast Line | 11.906 | Santa Cruz, Santa Cruz County | Davenport, Santa Cruz County. |
| 3.-Hanford & Summit Lake | 42.079 | Hardwick, Kings Co. | Ingle, Fresno Co. |
| 4.-Oroville & Nelson | 13.000 | Oroville, Butte Co. | Nelson, Butte Co. |
| 5.-Colusa & Hamilton | 61.23 | Harrington, Colusa Co. | Hamilton, Glenn Co. |
| 6.-Mojave & Bakersfield | 85.000 | Mojave, Kern County | Bakersfield, Kern Co. |

The Coast Line Railway Company and Hanford and Summit Lake Railway Company have completed their roads and are now being

operated by the Southern Pacific Company. Of the projected line of the Colusa and Hamilton Railroad Company, 46.659 miles are partially completed and being operated, though not turned over to the operating department. None of the other corporations have done any actual construction work.

The assets and liabilities of the various companies, as of December 31, 1916, are reported as follows:

LINCOLN NORTHERN RAILWAY COMPANY:

| | |
|---|--------------------|
| <u>Assets:</u> | |
| Cost of Road and Franchises, | \$21,603.60 |
| Interest on Construction Advances - in suspense, | <u>13,502.73</u> |
| <u>Total Assets,</u> | <u>\$35,106.33</u> |
| <u>Liabilities:</u> | |
| Capital Stock, | \$11,200.00 |
| Long Term Debt: | |
| Due Southern Pacific Co. . . 35,106.33 | |
| Less Southern Pacific deposit, <u>11,200.00</u> | <u>23,906.33</u> |
| <u>Total Liabilities,</u> | <u>\$35,106.33</u> |

COAST LINE RAILWAY COMPANY:

| | |
|---|-----------------------|
| <u>Assets:</u> | |
| Cost of Road and Franchises, | \$713,776.28 |
| Additions and Betterments, | 3,888.84 |
| Investment in Affiliated Companies:- | |
| Southern Pacific Company, ..7,407.47 | |
| Southern Pacific Co.-deposit, <u>124,138.63</u> | <u>131,546.10</u> |
| Discount on Capital Stock, | 816,237.89 |
| Discount on Funded Debt, | <u>54,833.33</u> |
| <u>Total Assets,</u> | <u>\$1,720,282.44</u> |
| <u>Liabilities:</u> | |
| Capital Stock, | \$1,000,000.00 |
| First Mortgage 6% Bonds, | 700,000.00 |
| Interest Accrued but not due, | 7,000.00 |
| Surplus, | <u>13,282.44</u> |
| <u>Total Liabilities,</u> | <u>\$1,720,282.44</u> |

HANFORD & SUMMIT LAKE RAILWAY COMPANY:

Assets:

| | |
|---|---------------------|
| Construction Cost, | \$780,266.73 |
| Accounts Receivable: | |
| Chas. King bonus collected by | \$25,970.23 |
| Bonus collectible for construction of road, | 45,043.19 |
| | <u>71,013.42</u> |
| <u>Total Assets,</u> | <u>\$851,280.15</u> |

Liabilities:

| | |
|---|---------------------|
| Capital Stock, | 50,000.00 |
| Long Term Debt - Advances: | |
| Due Southern Pacific Company, | 721,751.47 |
| Deferred Liabilities, | 71,223.42 |
| Deferred Payments on bonus agreements, | \$35,611.71 |
| Chas King-deferred payments on bonus agreement, . | <u>35,611.71</u> |
| Surplus, | <u>8,305.16</u> |
| <u>Total Liabilities,</u> | <u>\$851,280.15</u> |

OROVILLE & NELSON RAILROAD COMPANY:

Assets:

| | |
|---|------------------|
| Cost of Road and Franchises, | 16,490.82 |
| Interest on Construction Advances -in suspense, . | <u>8,129.61</u> |
| <u>Total Assets,</u> | <u>24,620.43</u> |

Liabilities:

| | |
|--------------------------------------|------------------|
| Capital Stock, | 13,000.00 |
| Long Term Debt:- | |
| Due Southern Pacific Company, . | \$24,620.43 |
| Less Southern Pacific Co.-deposit, . | <u>13,000.00</u> |
| | <u>11,620.43</u> |
| <u>Total Liabilities,</u> | <u>24,620.43</u> |

COLUSA AND HAMILTON RAILROAD COMPANY:

Assets:

| | |
|---|-----------------------|
| Cost of Road and Franchises, | \$1,608,208.47 |
| Interest on Construction Advances -in suspense, . | <u>192,123.62</u> |
| <u>Total Assets,</u> | <u>\$1,800,332.09</u> |

Liabilities:

| | |
|-------------------------------------|-----------------------|
| Capital Stock, | 61,000.00 |
| Long Term Debt:- | |
| Due Southern Pacific Company, . | \$1,800,332.09 |
| Less Southern Pacific Co.-deposit . | <u>61,000.00</u> |
| | <u>1,739,332.09</u> |
| <u>Total Liabilities,</u> | <u>\$1,800,332.09</u> |

MOJAVE AND BAKERSFIELD RAILROAD COMPANY:

Assets:

| | |
|--|--------------------|
| Cost of Road and Franchises, | \$34,514.29 |
| Southern Pacific Company, -deposit, | \$85,000.00 |
| Less Investment in Southern Pacific Co, <u>31,545.32</u> | <u>53,545.68</u> |
| <u>Total Assets,</u> | <u>\$87,968.97</u> |

Liabilities:

| | |
|---|--------------------|
| Capital Stock, | 85,000.00 |
| Interest on Construction Advances -in suspense, | 2,968.97 |
| <u>Total Liabilities,</u> | <u>\$87,968.97</u> |

The investment in the various roads, as of December 31, 1916, the consideration to be paid and the excess of the consideration over the investment is shown by the following table:

| <u>Name</u> | : Investment : by : Vendor : Companies : Dec. 31/16 | <u>Consideration</u> | | | : Total | : Excess : of : Consideration : over : Investment |
|--------------------------|---|----------------------|---------------------|---------------|-------------|---|
| | | : Cash | : Debt : Assumed | | | |
| Lincoln Northern: | \$ 21,603.60 | \$16,087.63 | \$ 23,906.33 | \$ 39,993.96 | \$18,390.36 | |
| Coast Line | : 713,776.28 | : 10,665.12 | : 707,000.00 | : 717,665.12 | : 3,888.84 | |
| Hanford & Summit Lake | : 780,266.73 | : 58,305.26 | : 721,961.47 | : 780,266.73 | : --- | |
| Oroville & Nelson | : 16,490.82 | : 17,392.65 | : 11,620.43 | : 29,013.08 | : 12,522.26 | |
| Colusa & Hamilton: | 1,608,208.47 | 70,595.79 | 1,739,332.09 | 1,809,927.88 | 201,719.41 | |
| Mojave & Northern: | 34,514.29 | 40,320.04 | --- | 40,320.04 | 5,805.75 | |
| Total, | :3,174,860.19 | :213,366.49 | :3,203,820.32 | :3,417,186.81 | :242,326.62 | |

The Southern Pacific Company reports that its investment in the vendor companies consists of the following:-

| | |
|--|------------------|
| Lincoln Northern Railway Company, | \$36,106.33 |
| Coast Line Railway Company, | 689,216.01 |
| Hanford & Summit Lake Railway Company, | 771,751.47 |
| Oroville & Nelson Railroad Company, | 24,620.43 |
| Colusa and Hamilton Railroad Company, | 1,800,332.09 |
| Mojave and Bakersfield Railroad Company, | <u>31,545.32</u> |
| Total, | 3,352,571.65. |

The reported investment by the Southern Pacific Company exceeds the investment by the vendor companies in the sum of \$177,711.46. The proposed purchase price exceeds the Southern Pacific Company's reported investment by the sum of \$64,615.16, and the reported investment by the vendor companies in the sum of \$242,326.62. It appears that the purchase price, as well as the investment by the Southern Pacific Company, covers the interest charged to construction and the interest carried in suspense. The former is reported at \$182,200.87 and the latter at \$213,755.96. Of the latter amount \$192,123.62 applies to the Colusa and Hamilton Railroad Company, whose road is in the process of construction; \$13,502.73 to Lincoln Northern Railway Company and \$8,129.61 to Oroville and Nelson Railroad Company.

In these applications, the Commission is not asked to authorize the issue of securities to cover the purchase price of the properties. It is asked to authorize the sale and transfer of the properties for the considerations heretofore set forth.

The effect of the transaction will be this: The various charges to the capital accounts of the vendor companies, which now in part represent actual operating property; partly non-operative property and partly no property at all; that is, lost expenditures; but which in every instance can be identified for what they are - will be incorporated into the general capital account of the purchasing companies, where all identity will be lost.

It is true that the individual amounts, and even the total amount of \$3,352,571.65, are relatively insignificant

when compared with the total capital account of the purchasing companies and of the parent company. (The Southern Pacific Company's investment in road and equipment account as of June 30, 1916, is reported as over seven hundred million dollars.)

The principle involved in the transaction is of importance, however. The first sentence of the general instructions in the classification of accounts prescribed by the Interstate Commerce Commission for road and equipment accounts reads as follows:

"The accounts prescribed in this classification are designed to show the investment of the carrier in property devoted to transportation service."

It is clear from the record in these cases that a considerable portion of the properties proposed to be purchased consists of mere projected railroad lines which it is more than likely will never be built. Separate corporations incurring expenditures for such projects can not, of course, expect any return as public utilities until the projects are completed and an operating property exists. If the enterprise does not progress beyond the project stage, the expenditures will represent a loss. This is elementary and applicable as a principle to all business, -public utility and non-public utility alike.

If, however, this Commission permits expenditures for mere projects, which by themselves would not be entitled to a return as utilities, to enter into the capital account of an operating property, then ^{undoubtedly it would be urged that such} ~~these~~ expenditures will thereby inherit the right, under the law, to a return exactly as all other tangible property represented by the capital account.

In fact, the evil results of such practice show many ramifications which will at once occur to one familiar with the subject. I shall mention only one of these consequences. One of the principal rules of capital accounting is that property lost or retired must be credited to the capital account as soon as it is lost or retired. Definite and careful instructions are provided in the Interstate Commerce Commission's and this Commission's accounting rules on this principle. It must be evident that if charges which do not represent any property whatever once find their way into the capital account, they are bound to stay there permanently.

We have, then, this curious condition: The cost of a locomotive purchased by the Central Pacific Railway Company properly enters into the capital account. If that locomotive is retired or lost and not replaced, the original cost of this piece of equipment, under the accounting rules, will be credited to the capital account. If, however, the Central Pacific Railway Company acquires the Lincoln Northern Railway Company for \$39,993.96, which amount is \$18,390.36 in excess of actual expenditures, the purchasing company will come into possession of a project which will not likely be completed and for which, under normal conditions, the Central Pacific would not pay one cent. As far, however, as the capital account is concerned, the Lincoln Northern "property" will be a more privileged item than the locomotive, for the reason that this capitalization of lost expenditures will never be retired but will remain permanently a capital asset.

If for legal and accounting reasons, the parent company wants to dissolve an unprofitable subsidiary company, I see no reason why it should not do so, but I am of the

opinion that in such a case unprofitable expenditures made in behalf of the subsidiary company should be written off in the profit and loss account.

While I do not agree with the method of accounting proposed in these transactions, I see no reason why the application for authority to sell the properties, as proposed, should not be granted, subject to certain conditions, and I suggest the following Order:

O R D E R

Lincoln Northern Railway Company, Coast Line Railway Company, Hanford & Summit Lake Railway Company, Oroville & Nelson Railroad Company, Colusa and Hamilton Railroad Company and William Sproule, W. R. Scott and E. O. McCormick, trustees of Mojave and Bakersfield Railroad Company, having applied to the Commission for authority to sell and transfer their properties for the considerations set forth in the foregoing Opinion,

And a public hearing having been held, and it appearing to the Commission that the application should be granted, subject to the conditions set forth in the order,

IT IS HEREBY ORDERED that Lincoln Northern Railway Company be, and it is hereby, authorized to sell and transfer its properties described in the indenture hereto attached and marked Exhibit I, to Central Pacific Railway Company for \$16,087.63, cash plus the assumption of an indebtedness amounting to \$23,906.33, making a total consideration of \$39,993.96.

IT IS HEREBY FURTHER ORDERED that Coast Line Railway Company be, and it is hereby, authorized to sell and transfer its properties described in the indenture attached hereto and marked Exhibit II, to Southern Pacific Railroad Company for \$10,665.12 cash and the assumption of bonded indebtedness and accrued interest thereon amounting to \$707,000.00, making a total consideration of \$717,665.12.

IT IS HEREBY FURTHER ORDERED that Hanford & Summit Lake Railway Company be, and it is hereby, authorized to sell and transfer its properties described in the indenture attached hereto and marked Exhibit III, to Southern Pacific Railroad Company for \$58,305.26 cash, plus the assumption of an indebtedness amounting to \$721,961.47, making a total consideration of \$780,266.73.

IT IS HEREBY FURTHER ORDERED that Oroville & Nelson Railroad Company be, and it is hereby, authorized to sell and transfer its properties described in the indenture attached hereto and marked Exhibit IV, to Southern Pacific Railroad Company for \$17,392.65 cash plus the assumption of an indebtedness amounting to \$11,620.43, making a total consideration of \$29,013.08.

IT IS HEREBY FURTHER ORDERED that COLUSA AND HAMILTON RAILROAD COMPANY be, and it is hereby, authorized to sell and transfer its properties described in the indenture attached hereto and marked Exhibit V, to the Southern Pacific Railroad Company for \$70,595.79, plus the assumption of an indebtedness of \$1,739,332.09, making a total consideration of \$1,809,927.88.

IT IS HEREBY FURTHER ORDERED that William Sproule, W. R. Scott and E. O. McCormick, trustees, of Mojave and Bakersfield Railroad Company be, and they are hereby, authorized

to sell and transfer the properties described in the indenture attached hereto and marked Exhibit VI, to Southern Pacific Railroad Company for a cash payment of \$40,320.04.

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

- 1.- Before the authority herein granted to transfer the aforesaid properties shall become effective, the purchasing companies shall submit to this Commission for approval an inventory of the property authorized to be sold and a statement showing how the investment by the vendor companies, and the purchase price paid for the various properties, will be entered upon the records of the purchasing companies.
- 2.--That this order is not intended and does not authorize said conveyances, or any thereof, to be considered or deemed to take effect, or to be in force as of midnight December 31, 1916, but is authority only for such conveyance to take effect and to be in force at a date subsequent to the effective date of this order.
- 3.--The consideration to be paid for the properties to be acquired shall not be considered as binding upon this Commission or upon any other public body as representing the value of said properties for rate fixing or any other purposes.

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 5th day of July, 1917.

Max Thelen
A. H. Howard

Francis P. Wilson
Commissioners

EXHIBIT NUMBER ONE.

INDENTURE dated the first day of May, 1917, by and between LINCOLN NORTHERN RAILWAY COMPANY, a corporation of the State of California (hereinafter called "Vendor"), party of the first part, and CENTRAL PACIFIC RAILWAY COMPANY, a corporation of the State of Utah (hereinafter called "Vendee"), party of the second part;

WHEREAS, the terms and conditions of purchase and sale hereinafter expressed, and the execution of this indenture, have been duly authorized by the Boards of Directors of the Vendor and of the Vendee, respectively, and have been duly authorized, approved and ratified by all the stockholders of the Vendor and all the stockholders of the Vendee holding of record the entire issued capital stock and the entire subscribed capital stock of said corporations, by unanimous vote at special stockholders' meetings of said Vendor and said Vendee, respectively, called for that purpose and duly convened and held;

NOW, THEREFORE, in consideration of the payment by the Vendee of the sum of Sixteen thousand and eighty seven and 63/100 Dollars (\$16,087.63), lawful money of the United States, the receipt whereof is hereby acknowledged, and in further consideration of the assumption of the Vendee of the indebtedness of the Vendor and hereinafter expressed, the Vendor has agreed to grant, bargain, sell, assign, transfer, release and convey and hereby does grant, bargain, sell, assign, transfer, release and convey unto the Vendee, its successors and assigns:

(1) All of the lines of railroad of the Vendor, together with all the rights, powers, immunities, privileges, franchises and other property appertaining thereto, including:

The Vendor's projected line of railroad extending from a connection with the line of railroad of the Vendee at or near

Lincoln, Placer County, California, in a general Northerly direction in said Placer County, to at or near Dairy Farm Mine, Placer County, California, about 11.2 miles; also every other line of railroad, whether main line, branch or spur, projected, under construction or constructed, now owned by the Vendor and located in the State of California, or any part thereof so located, together with all the rights, powers, immunities, privileges, franchises, rights of way and other property appertaining to said lines of railroad.

(2) All appropriations of real estate and other property made by the Vendor, and all suits, actions or rights of action instituted by the Vendor for the condemnation of property for use in connection with any railroad of the Vendor or any branch or extension thereof or addition thereto; and

(3) All other property of the Vendor, real, personal and mixed, rights, privileges and franchises of every kind, except its franchises to be a corporation and except cash on hand, moneys due or to become due, and bills and accounts receivable.

TO HAVE AND TO HOLD the above-described railroads, franchises, rights and other properties unto the Vendee, its successors and assigns, forever.

The Vendee hereby assumes and agrees to pay all indebtedness of the Vendor incurred in constructing and acquiring the railroads and other property hereby conveyed.

The Vendor hereby covenants with the Vendee, its successors and assigns, that the Vendor will at any and all times make, do, execute and deliver, or cause to be made, done, executed and delivered, all and every such further acts, conveyances, and assurances for the better assuring and confirming unto the Vendee, its successors and assigns, all and singular the premises herein granted, or intended so to be, as shall be reasonably required for the better accomplishing of the purposes of this indenture.

In consideration of the premises, the Vendee has agreed to, and does hereby, purchase the above-described railroads, franchises, rights and other properties, and does hereby accept the conveyances thereof contained in this indenture, upon the terms and conditions hereinbefore stated.

It is mutually agreed that, as between the parties hereto, this conveyance shall be deemed to take effect, and be in force, as of midnight December 31, 1916.

This indenture is executed and delivered in two counterparts, identical in all respects, each of which shall be deemed to be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF the parties hereto have caused this instrument to be executed by their respective officers thereunto duly authorized and their respective corporate seals to be hereunto affixed as of the day and year first above written.

LINCOLN NORTHERN RAILWAY COMPANY,

By _____
President.

Attest:

Secretary.

CENTRAL PACIFIC RAILWAY COMPANY,

By _____
President.

Attest:

Secretary.

EXHIBIT NUMBER TWO.

INDENTURE dated the first day of May, 1917, by and between the COAST LINE RAILWAY COMPANY, a corporation of the State of California (hereinafter called "Vendor"), party of the first part, and SOUTHERN PACIFIC RAILROAD COMPANY, a corporation of the States of California, Arizona, and New Mexico (hereinafter called "Vendee"), party of the second part:

WHEREAS, the terms and conditions of purchase and sale hereinafter expressed, and the execution of this indenture, have been duly authorized by the Boards of Directors of the Vendor and of the Vendee, respectively, and have been duly authorized, approved and ratified by all the stockholders of the Vendor and all the stockholders of the Vendee holding of record the entire issued capital stock and the entire subscribed capital stock of said corporations, by unanimous vote at special stockholders' meetings of said Vendor and said Vendee, respectively, called for that purpose and duly convened and held;

NOW, THEREFORE, in consideration of the payment by the Vendee of the sum of Ten thousand six hundred sixty five and 12/100 Dollars (\$10,665.12), lawful money of the United States, the receipt whereof is hereby acknowledged, and in further consideration of the assumption by the Vendee of the bonded and other indebtedness of the Vendor as hereinafter expressed, the Vendor has agreed to grant, bargain, sell, assign, transfer, release and convey and hereby does grant, bargain, sell, assign, transfer, release and convey unto the Vendee, its successors and assigns:

(1) All of the lines of railroad of the Vendor, together with all the rights, powers, immunities, privileges, franchises and other property appertaining thereto, including:

The Vendor's line of railroad extending from a connection with the line of railroad of the Vendee, Santa Cruz Branch, and

also with the line of railroad of the South Pacific Coast Railway Company, both at Santa Cruz, Santa Cruz County, California, in a general Northwesterly direction in said Santa Cruz County, to a point at or near Davenport, Santa Cruz County, California, about 11.906 miles; also every other line of railroad, whether main line, branch or spur, projected, under construction or constructed, now owned by the Vendor and located in the State of California, or any part thereof so located, together with all the rights, powers, immunities, privileges, franchises, rights of way, and other property appertaining to said lines of railroad.

(2) All appropriations of real estate and other property made by the Vendor, and all suits, actions or rights of action instituted by the Vendor for the condemnation of property for use in connection with any railroad of the Vendor or any branch or extension thereof or addition thereto; and

(3) All other property of the Vendor, real, personal and mixed, rights, privileges and franchises of every kind, except its franchise to be a corporation and except cash on hand, moneys due or to become due, and bills and accounts receivable.

TO HAVE AND TO HOLD the above-described railroads, franchises, rights and other properties unto the Vendee, its successors and assigns, forever.

The Vendee hereby assumes and agrees to pay the First Mortgage bonds of the Vendor now outstanding to the principal amount of \$700,000.00, issued under and secured by the First Mortgage of the Vendor, dated November 1st, 1911, to Gordon M. Buck and Henry W. Clark, Trustees, constituting a lien upon the railroads and their franchises and appurtenances hereby conveyed, together with the interest due and hereafter maturing on said bonds; and the Vendee hereby assumes and agrees to pay all other indebtedness of the Vendor incurred in constructing and acquiring the railroads and other property hereby conveyed; but the Vendor agrees to issue

no more bonds under the mortgage aforesaid.

The Vendor hereby covenants with the Vendee, its successors and assigns, that the Vendor will at any and all times make, do, execute and deliver, or cause to be made, done, executed and delivered, all and every such further acts, conveyances and assurances for the better assuring and confirming unto the Vendee, its successors and assigns, all and singular the premises herein granted or intended so to be, as shall be reasonably required for the better accomplishing of the purposes of this indenture.

In consideration of the premises, the Vendee has agreed to, and does hereby, purchase the above-described railroads, franchises, rights and other properties, and does hereby accept the conveyance thereof contained in this indenture, upon the terms and conditions hereinbefore stated.

It is mutually agreed that, as between the parties hereto, this conveyance shall be deemed to take effect, and be in force, as of midnight December 31, 1916.

This indenture is executed and delivered in two counterparts, identical in all respects, each of which shall be deemed to be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF the parties hereto have caused this instrument to be executed by their respective officers thereunto duly authorized and their respective corporate seals to be hereunto affixed as of the day and year first above written.

COAST LINE RAILWAY COMPANY,

By _____
President.

Attest:

Secretary.

SOUTHERN PACIFIC RAILROAD COMPANY,

By _____
President.

Attest:

Secretary.

EXHIBIT NUMBER THREE.

INDENTURE dated the first day of May, 1917, by and between HANFORD & SUMMIT LAKE RAILWAY COMPANY, a corporation of the State of California (hereinafter called "Vendor"), party of the first part, and SOUTHERN PACIFIC RAILROAD COMPANY, a corporation of the States of California, Arizona and New Mexico (hereinafter called "Vendee"), party of the second part:

WHEREAS, the terms and conditions of purchase and sale hereinafter expressed, and the execution of this indenture, have been duly authorized by the Boards of Directors of the Vendor and of the Vendee, respectively, and have been duly authorized, approved and ratified by all the stockholders of the Vendor and all the stockholders of the Vendee holding of record the entire issued capital stock and the entire subscribed capital stock of said corporations, by unanimous vote at special stockholders' meetings of said Vendor and said Vendee, respectively, called for that purpose and duly convened and held:

NOW, THEREFORE, in consideration of the payment by the Vendee of the sum of Fifty eight thousand three hundred and five and 26/100 Dollars (\$58,305.26), lawful money of the United States, the receipt whereof is hereby acknowledged, and in further consideration of the assumption by the Vendee of the indebtedness of the Vendor as hereinafter expressed, the Vendor has agreed to grant, bargain, sell, assign, transfer, release and convey and hereby does grant, bargain, sell, assign, transfer, release and convey unto the Vendee, its successors and assigns:

(1) All of the lines of railroad of the Vendor, together with all the rights, powers, immunities, privileges, franchises and other property appertaining thereto, including:

The Vendor's line of railroad extending from a connection with the line of railroad of the Vendee at Hardwick, Kings County, California, in a general Northwesterly direction through Kings

and Fresno Counties, California, to a connection with the line of railroad of the Vendee at Ingle, Fresno County, California, about 42.079 miles; and the Vendor's line of railroad extending from a connection with the line of railroad of the Vendee at or near Ingle, Fresno County, California, in a general Southwesterly direction in said Fresno County to a connection with the Vendor's line of railroad first herein described at or near Ingle, Fresno County, California, about 0.214 miles; also every other line of railroad, whether main line, branch or spur, projected, under construction or constructed, now owned by the Vendor and located in the State of California, or any part thereof, so located, together with all the rights, powers, immunities, privileges, franchises, rights of way and other property appertaining to said lines of railroad.

(2) All appropriations of real estate and other property made by the Vendor, and all suits, actions or rights of action instituted by the Vendor for the condemnation of property for use in connection with any railroad of the Vendor or any branch or extension thereof or addition thereto; and .

(3) All other property of the Vendor, real, personal and mixed, rights, privileges and franchises of every kind, except its franchise to be a corporation and except cash on hand, moneys due or to become due, and bills and accounts receivable.

TO HAVE AND TO HOLD the above-described railroads, franchises, rights and other properties unto the Vendee, its successors and assigns, forever.

The Vendee hereby assumes and agrees to pay all indebtedness of the Vendor incurred in constructing and acquiring the railroads and other property hereby conveyed.

The Vendor hereby covenants with the Vendee, its successors and assigns, that the Vendor will at any and all times

make, do, execute and deliver, or cause to be made, done, executed and delivered, all and every such further acts, conveyances, and assurances for the better assuring and confirming unto the Vendee, its successors and assigns, all and singular the premises herein granted, or intended so to be, as shall be reasonably required for the better accomplishing of the purposes of this indenture.

In consideration of the premises, the Vendee has agreed to, and does hereby, purchase the above-described railroads, franchises, rights and other properties, and does hereby accept the conveyance thereof contained in this indenture, upon the terms and conditions hereinbefore stated.

It is mutually agreed that, as between the parties hereto, this conveyance shall be deemed to take effect, and be in force, as of midnight, December 31, 1916.

This indenture is executed and delivered in two counterparts, identical in all respects, each of which shall be deemed to be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF the parties hereto have caused this instrument to be executed by their respective officers thereunto duly authorized and their respective corporate seals to be hereunto affixed as of the day and year first above written.

HANFORD & SUMMIT LAKE RAILWAY COMPANY

By _____
President.

Attest:

Secretary.

SOUTHERN PACIFIC RAILROAD COMPANY.

By _____
President

Attest:

Secretary.

EXHIBIT NUMBER FOUR.

INDENTURE dated the first day of May, 1917, by and between OROVILLE & NELSON RAILROAD COMPANY, a corporation of the State of California (hereinafter called "Vendor"), party of the first part, and SOUTHERN PACIFIC RAILROAD COMPANY, a corporation of the State of California, Arizona and New Mexico (hereinafter called "Vendee"), party of the second part:

WHEREAS, the terms and conditions of purchase and sale hereinafter expressed, and the execution of this indenture, have been duly authorized by the Boards of Directors of the Vendor and of the Vendee, respectively, and have been duly authorized, approved and ratified by all the stockholders of the Vendor and all the stockholders of the Vendee holding of record the entire issued capital stock and the entire subscribed capital stock of said corporations, by unanimous vote at special stockholders' meetings of said Vendor and said Vendee, respectively, called for that purpose and duly convened and held;

NOW, THEREFORE, in consideration of the payment by the Vendee of the sum of Seventeen thousand three hundred and ninety two and 65/100 Dollars (\$17,392.65), lawful money of the United States, the receipt whereof is hereby acknowledged, and in further consideration of the assumption by the Vendee of the indebtedness of the Vendor as hereinafter expressed, the Vendor has agreed to grant, bargain, sell, assign, transfer, release and convey and hereby does grant, bargain, sell, assign, transfer, release and convey unto the Vendee, its successors and assigns:

(1) All of the lines of railroad of the Vendor, together with all the rights, powers, immunities, privileges, franchises and other property appertaining thereto, including:

The Vendor's projected line of railroad extending from a connection with the line of railroad of the Vendee at or near

Oroville, Butte County, California, in a general Northwesterly direction in said Butte County, to a connection with the line of railroad of the Central Pacific Railway Company at or near Nelson, Butte County, California, about 13.0 miles; also every other line of railroad, whether main line, branch or spur, projected, under construction or constructed, now owned by the Vendor and located in the State of California, or any part thereof so located, together with all the rights, powers, immunities, privileges, franchises, rights of way and other property appertaining to said lines of railroad.

(2) All appropriations of real estate and other property made by the Vendor, and all suits, actions or rights of action instituted by the Vendor for the condemnation of property for use in connection with any railroad of the Vendor or any branch or extension thereof or addition thereto; and

(3) All other property of the Vendor, real, personal and mixed, rights, privileges and franchises of every kind, except its franchise to be a corporation and except cash on hand, moneys due or to become due, and bills and accounts receivable.

TO HAVE AND TO HOLD the above-described railroads, franchises, rights and other properties unto the Vendee, its successors and assigns, forever.

The Vendee hereby assumes and agrees to pay all indebtedness of the Vendor incurred in constructing and acquiring the railroads and other property hereby conveyed.

The Vendor hereby covenants with the Vendee, its successors and assigns, that the Vendor will at any and all times make, do execute and deliver, or cause to be made, done, executed and delivered, all and every such further acts, conveyances and assurances for the better assuring and confirming unto the Vendee, its successors and assigns, all and singular the premises herein granted, or intended so to be, as shall be reasonably required for the better accomplishing of the purposes of this indenture.

In consideration of the premises, the Vendee has agreed to, and does hereby, purchase the above-described railroads, franchises, rights and other properties, and does hereby accept the conveyance thereof contained in this indenture, upon the terms and conditions hereinbefore stated.

It is mutually agreed that, as between the parties hereto, this conveyance shall be deemed to take effect, and be in force, as of midnight December 31, 1916.

This indenture is executed and delivered in two counterparts, identical in all respects, each of which shall be deemed to be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF the parties hereto have caused this instrument to be executed by their respective officers thereunto duly authorized and their respective corporate seals to be hereunto affixed as of the day and year first above written.

OROVILLE & NELSON RAILROAD COMPANY,

By _____
President.

Attest:

Secretary

SOUTHERN PACIFIC RAILROAD COMPANY,

By _____
President.

Attest:

Secretary.

EXHIBIT NUMBER FIVE.

INDENTURE dated the first day of May, 1917, by and between COLUSA & HAMILTON RAILROAD COMPANY, a corporation of the State of California (hereinafter called "Vendor"), party of the first part, and SOUTHERN PACIFIC RAILROAD COMPANY, a corporation of the States of California, Arizona and New Mexico (hereinafter called "Vendee"), party of the second part;

WHEREAS, the terms and conditions of purchase and sale hereinafter expressed, and the execution of this indenture, have been duly authorized by the Boards of Directors of the Vendor and of the Vendee, respectively, and have been duly authorized, approved and ratified by all the stockholders of the Vendor and all the stockholders of the Vendee holding of record the entire issued capital stock and the entire subscribed capital stock of said corporations, by unanimous vote at special stockholders' meetings of said Vendor and said Vendee, respectively, called for that purpose and duly convened and held;

NOW, THEREFORE, in consideration of the payment by the Vendee of the sum of Seventy thousand five hundred ninety five and 79/100 Dollars (\$70,595.79), lawful money of the United States, the receipt whereof is hereby acknowledged, and in further consideration of the assumption by the Vendee of the indebtedness of the Vendor as hereinafter expressed, the Vendor has agreed to grant, bargain, sell, assign, transfer, release and convey and hereby does grant, bargain, sell, assign, transfer, release and convey unto the Vendee, its successors and assigns:

(1) All of the lines of railroad of the Vendor, together with all the rights, powers, immunities, privileges, franchises and other property appertaining thereto, including:

The Vendor's line of railroad extending from a connection

with the line of railroad of the Vendee at or near Harrington, Colusa County, California, in a general Northeasterly and Northerly direction through Colusa and Glenn Counties, California, to a connection with the line of railroad of said Vendee at or near Hamilton, Glenn County, California, about 61.230 miles, of which 46.659 miles of main line track has been laid Northeasterly and Northerly from Harrington; also every other line of railroad, whether main line, branch or spur, projected, under construction or constructed, now owned by the Vendor and located in the State of California, or any part thereof so located, together with all the rights, powers, immunities, privileges, franchises, rights of way and other property appertaining to said lines of railroad.

(2) All appropriations of real estate and other property made by the Vendor, and all suits, actions or rights of action instituted by the Vendor for the condemnation of property for use in connection with any railroad of the Vendor or any branch or extension thereof or addition thereto; and

(3) All other property of the Vendor, real, personal and mixed, rights, privileges and franchises of every kind, except its franchise to be a corporation and except cash on hand, moneys due or to become due, and bills and accounts receivable.

TO HAVE AND TO HOLD the above-described railroads, franchises, rights and other properties unto the Vendee, its successors and assigns, forever.

The Vendee hereby assumes and agrees to pay all indebtedness of the Vendor incurred in constructing and acquiring the railroads and other property hereby conveyed.

The Vendor hereby covenants with the Vendee, its successors and assigns, that the Vendee will at any and all times make, do, execute and deliver, or cause to be made, done, executed and delivered, all and every such further acts, conveyances, and assurances for the better assuring and confirming unto the Vendee, its successors and assigns, all and singular the premises herein granted, or intended so to be, as shall be reasonably required for the better accomplishing of the purposes of this inden-

ture.

In consideration of the premises, the Vendee has agreed to, and does hereby, purchase the above described railroads, franchises, rights and other properties, and does hereby accept the conveyance thereof contained in this indenture, upon the terms and conditions hereinbefore stated.

It is mutually agreed that, as between the parties hereto, this conveyance shall be deemed to take effect, and be in force, as of midnight December 31, 1916.

This indenture is executed and delivered in two counterparts, identical in all respects, each of which shall be deemed to be an original and all of which shall constitute but one and the same instrument.

In WITNESS WHEREOF the parties hereto have caused this instrument to be executed by their respective officers thereunto duly authorized and their respective corporate seals to be hereunto affixed as of the day and year first above written.

COLUMBIA & HAMILTON RAILROAD COMPANY,

BY _____
President.

Attest:

Secretary.

SOUTHERN PACIFIC RAILROAD COMPANY,

By _____
President.

Attest:

Secretary.

EXHIBIT NUMBER SIX

INDENTURE dated the first day of May, 1917, by and between WM. SPROULE, W. R. SCOTT and E. O. MCCORMICK, as Trustees of the Mojave & Bakersfield Railroad Company, a corporation of the State of California (hereinafter called "Vendor"), parties of the first part, and SOUTHERN PACIFIC RAILROAD COMPANY, a corporation of the States of California, Arizona and New Mexico (hereinafter called "Vendee"), party of the second part:

WHEREAS, the said Mojave & Bakersfield Railroad Company has forfeited its charter to the State of California because of its failure to pay the annual license tax for the year 1917, as required by law, and the said Wm. Sproule, W. R. Scott and E. O. McCormick are the directors of said corporation and, as such directors, are also the trustees of said corporation for the purpose of settling its affairs; and

WHEREAS, the terms and conditions of purchase and sale hereinafter expressed, and the execution of this indenture, have been duly authorized by the Directors of the Vendor, as such trustees, and also by the Board of Directors of the Vendee, and have been duly authorized, approved and ratified by all the stockholders of the Vendor and all the stockholders of the Vendee holding of record the entire issued capital stock and the entire subscribed capital stock of said corporations, by unanimous vote at special stockholders' meetings of said Vendor and said Vendee, respectively, called for that purpose and duly convened and held;

NOW, THEREFORE, in consideration of the payment by the Vendee of the sum of Forty thousand three hundred and twenty and 04/100 Dollars (\$40,320.04), lawful money of the United States, the receipt whereof is hereby

acknowledged, and in further consideration of the assumption by the Vendee of the indebtedness of the Vendor as hereinafter expressed, the Vendor has agreed to grant, bargain, sell, assign, transfer, release and convey and hereby does grant, bargain, sell, assign, transfer, release and convey unto the Vendee, its successors and assigns:

(1) All of the lines of railroad of the Vendor, together with all the rights, powers, immunities, privileges, franchises and other property appertaining thereto, including:

The Vendor's projected line of railroad extending from a connection with the line of railroad of the Vendee at or near Mojave, Kern County, California, in a general Northwesterly direction in said Kern County, to a connection with the line of railroad of the Vendee at or near Bakersfield, Kern County, California, about 85.0 miles; also every other line of railroad, whether main line, branch or spur, projected, under construction or constructed, now owned by the Vendor and located in the State of California, or any part thereof so located, together with all the rights, powers, immunities, privileges, franchises, rights of way and other property appertaining to said lines of railroad.

(2) All appropriations of real estate and other property made by the Vendor, and all suits, actions or rights of action instituted by the Vendor for the condemnation of property for use in connection with any railroad of the Vendor or any branch or extension thereof or addition thereto; and

(3) All other property of the Vendor, real, personal and mixed, rights, privileges and franchises of every kind, except its franchise to be a corporation and except cash on hand, moneys

due or to become due, and bills and accounts receivable.

TO HAVE AND TO HOLD the above-described railroads, franchises, rights and other properties unto the Vendee, its successors and assigns, forever.

The Vendee hereby assumes and agrees to pay all indebtedness of the Vendor incurred in constructing and acquiring the railroads and other property hereby conveyed.

The Vendor hereby covenants with the Vendee, its successors and assigns, that the Vendor will at any and all times make, do, execute and deliver, or cause to be made, done, executed and delivered, all and every such further acts, conveyance, and assurances for the better assuring and confirming unto the Vendee, its successors and assigns, all and singular the premises herein granted, or intended so to be, as shall be reasonably required, for the better accomplishing of the purposes of this indenture.

In consideration of the premises, the Vendee has agreed to, and does hereby, purchase the above-described railroads, franchises, rights and other properties, and does hereby accept the conveyance thereof contained in this indenture, upon the terms and conditions hereinbefore stated.

It is mutually agreed that, as between the parties hereto, this conveyance shall be deemed to take effect, and be in force, as of midnight December 31st. 1916.

This indenture is executed and delivered in two counterparts, identical in all respects, each of which shall be deemed to be an original and all of which shall constitute but

one and the same instrument.

IN WITNESS WHEREOF the parties hereto have executed
this instrument as of the day and year first above written.

Trustees of Mojave &
Bakersfield Railroad Company

SOUTHERN PACIFIC RAILROAD COMPANY,

By _____
President.

Attest:

Secretary.