

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
LOS ANGELES & SALT LAKE RAILROAD COM-
PANY, a corporation, and Wm. G. Henshaw
for authority for said Henshaw to sell
and said railroad company to purchase
all the outstanding shares of the capital
stock of Riverside, Rialto & Pacific
Railroad Company, a corporation, and for
authority permitting Los Angeles & Salt
Lake Railroad Company to ultimately ac-
quire title to the property, rights and
franchises of said Riverside, Rialto &
Pacific Railroad Company.

Application No. 3070.

- A. S. Halsted for Los Angeles & Salt Lake Railroad Co.
- C. L. McFarland for Wm. G. Henshaw and Riverside,
Rialto & Pacific Railroad Company.
- C. E. Tibbot and R. E. Hodge for City of Rialto.
- Frank Karr for Pacific Electric Railway Company.
- Oscar Ford for City of Riverside.
- A. B. Miller for the Fontana District.
- C. Van Zwahlenburg for Riverside Chamber of Commerce.

GORDON, Commissioner.

OPINION

In this application Los Angeles & Salt Lake Railroad Company, hereinafter at times referred to as the Salt Lake Company, asks authority to purchase from Wm. G. Henshaw all of the outstanding stock, \$300,000.00 par value, of Riverside, Rialto & Pacific Railroad Company, hereinafter at times referred to as the Riverside Company, for \$465,000.00 plus a sum in cash equal to the amount of all cash held by and belonging to the Riverside, Rialto & Pacific Railroad Company at the date of the transfer of the stock, plus an amount in cash equal to the accounts and bills receivable collected subsequent to the date

of the transfer, as more fully set forth in the agreement attached to the application and marked Exhibit "C".

The application also contemplates the transfer of the properties of the Riverside, Rialto and Pacific Railroad Company to the Los Angeles & Salt Lake Railroad Company. Such transfer is to be made as soon as possible after the transfer of the stock. This method of procedure is preferred by applicants because of its more expeditious nature of transferring and acquiring Wm. G. Henshaw's interest in the properties of Riverside, Rialto & Pacific Railroad Company. Counsel for the Salt Lake Company stated that unless his company would be permitted to ultimately acquire the properties of the Riverside Company, it would not purchase the stock of said company. In other words, the right to purchase the properties is a condition precedent to the purchase of the stock.

Under the terms of the agreement of sale, the properties are to be transferred to the Salt Lake Company free and clear of all indebtedness and encumbrances.

From the proceeds obtained from the sale of the stock and the cash paid by the Salt Lake Company to Wm. G. Henshaw, he is obligated to pay the indebtedness of the company.

On July 31, 1917, Riverside, Rialto & Pacific Railroad Company reported assets and liabilities as follows:

ASSETS:

Investment:

Road	\$481,860.05	
Equipment	54,584.33	
General Expenditures	12,015.58	
Sinking Fund	25,000.00	
Total		\$553,459.96

Current Assets:

Cash	32,256.45	
Freight Advances	481.22	
Los Angeles Office Loan	3,635.53	
Traffic Balances Receivable	3,032.02	
Crestmore Station	1,382.78	
Accounts Receivable	7,246.69	
Material and supplies	5,922.32	
Glendale and Montrose Ry. Loan	6,032.51	
Demurrage	21.00	
Total		60,010.52

Unadjusted Debits:

Discount Funded Debt	123.98	
Suspense	250.00	
Total		373.98

TOTAL ASSETS \$613,844.46

LIABILITIES:

Capital Liabilities:

Capital Stock	\$500,000.00	
Unissued Stock	200,000.00	
Capital Stock Outstanding		300,000.00

Long Term Debt:

Funded Debt	200,000.00	
Wm. G. Henshaw Current Acct.	23,091.38	
Total		223,091.38

Current Liabilities:

Traffic Balances Payable	37,271.77	
Audited Pay Rolls and Vouchers	3,030.24	
Other Current Liabilities	33.58	
Unmatured Interest Accrued	166.65	
Total		40,502.24

Unadjusted Credits:

Accrued Depreciation	4,436.22	
Tax Liability	*1,618.25	
Total		2,817.97

Deferred Liabilities:

Hospital Fund		176.59
-------------------------	--	--------

Corporate Surplus:

Sinking Fund	25,000.00	
Profit and Loss	22,256.28	
Total		47,256.28

TOTAL LIABILITIES \$613,844.46

Reference is here made to Decision No. 1983, dated December 3, 1914 (Vol. 5, Opinions and Orders of the Railroad Commission of California, page 18), in which the Commission established the reproduction cost new and the reproduction cost new less depreciation of the properties of the Riverside Company. The former as of June 30, 1914, was found to be \$457,885.69, the latter \$430,052.55. Reference is also made to Decision No. 2108, dated January 29, 1915 (Vol. 6, Opinions and Orders of the Railroad Commission of California, page 106), whereby the Commission authorized Wm. G. Henshaw to transfer the railway properties to Riverside, Rialto & Pacific Railroad Company in exchange for \$300,000.00 of capital stock and \$200,000.00 of 2½ year 6% notes. The purchase price, \$465,000.00, of the stock, is based upon the reproduction cost new less depreciation as found by the Commission in Decision No. 1983, plus the cost of additions and betterments installed subsequent to June 30, 1914.

Under the terms of the agreement of sale, Salt Lake Company agrees to pay \$100,000.00 in cash upon the date of delivery of the stock and give four promissory notes for the remaining \$365,000.00. Of the notes \$100,000.00 is to be paid within thirty days; \$100,000.00 within sixty days, \$100,000.00 within ninety days and \$65,000.00 within 120 days after the delivery of the stock. The Salt Lake Company intends ultimately to finance the purchase of the stock through the issue of its first mortgage bonds.

Under an agreement dated March 1, 1915, the Pacific Electric Railway Company is at this time operating an electric

passenger service over the lines of the Riverside Company. In fact, the entire passenger business over this line is taken care of by the Pacific Electric. Under the agreement, which has been approved by the Commission by its Decision No. 2246, dated March 19, 1915, the Pacific Electric is also permitted to operate freight cars over the line of the Riverside Company between and including Riverside and Rialto so long as it does not serve without the consent of the Riverside Company any industries or stations exclusively on said railway for freight traffic. The agreement further provides that freight traffic will be interchanged at Rialto and Riverside on a basis whereby the Pacific Electric will be on an equality with steam lines as to facilities and divisions and entitled to the use of tracks as necessary for joint interchange of freight at Rialto and Riverside. The agreement provides that it shall take effect as of March 15, 1915 and shall remain in full force and effect for a period of two and one-half years, subject to termination by either party upon giving six month's written notice to that effect to the other party at any time after two years from the effective date. Because of this agreement, Pacific Electric takes the position that if the stock of the Riverside Company, and ultimately its properties, be merged with those of the Salt Lake Company, it will no longer be on an equality with the Salt Lake Company insofar as freight traffic is concerned. Mr. Nutt, general manager of the Salt Lake Company, frankly admitted that if his company were permitted to acquire the properties he would endeavor to secure for his company as much of the freight traffic as possible. The Salt Lake Company is willing to renew the agreement between the Riverside, Rialto & Pacific Railroad Company and the Pacific Electric, but is

not willing, so far as freight traffic is concerned, to make any distinction in favor of the Pacific Electric as compared with the other connecting carriers, viz, the Southern Pacific and the Santa Fe.

I do not believe that it is necessary for this Commission in this proceeding to consider questions of division of traffic or of rates between the Salt Lake Company and other connecting or competing lines, nor is it now called upon to pass on any operating agreements between the companies. This is a matter which if the companies are unable to amicably adjust, can be taken care of by the Commission in some subsequent proceeding. The Commission is interested to have assurances that the passenger and freight service under the new control and ownership will at least be equally as good, and the public will be as efficiently served as it now is, and such assurances were given by the representatives of the Salt Lake.

R. E. Hodge, appearing for the City of Rialto, and C. Van Zwahlenburg, appearing for the Riverside Chamber of Commerce, called the Commission's attention to the bonus subscriptions by residents of Rialto, Bloomington, Riverside and intervening communities, to aid in the construction of this railway. The bonuses were given upon a specific understanding that a certain passenger service should be maintained. Neither Mr. Hodge nor Mr. Van Zwahlenburg objected to the granting of the application, provided the present freight and passenger service is maintained after the transfer of this stock and sale of the properties. There is no definite evidence before the Commission at this time showing that the Salt Lake Company intends to

discontinue any service, or that the Pacific Electric, which now takes care of the passenger business, has any such action in view.

I herewith submit the following form of order:

O R D E R

LOS ANGELES & SALT LAKE RAILROAD COMPANY having applied to this Commission for authority to purchase from Wm. G. Henshaw \$300,000.00 of capital stock of the Riverside, Rialto and Pacific Railroad Company.

And a public hearing having been held, and it appearing to the Commission that this application should be granted,

IT IS HEREBY ORDERED that Los Angeles & Salt Lake Railroad Company be, and it is hereby granted authority to purchase from Wm. G. Henshaw \$300,000.00 par value of capital stock for the sum of \$465,000.00 pursuant to the terms of the agreement attached to the application and marked Exhibit "C".

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

1. The amount which Salt Lake Company is permitted to pay for the stock of the Riverside, Rialto & Pacific Railroad Company shall not be considered as a measure of value of said company before this Commission or any court or other regulatory body.
2. Unless otherwise authorized by the Commission, the Los Angeles & Salt Lake Railroad Company either on its own behalf or through lease agreements, shall maintain as adequate freight and passenger service as is now offered by the Riverside,

Rialto and Pacific Railroad Company.

3. The authority hereby granted to purchase the stock of the Riverside, Rialto & Pacific Railroad Company shall apply only to such stock as may be acquired on or before November 30, 1917.

4. The authority herein granted shall not become effective until the Railroad Commission shall have approved the form of the book entries to be made by the Salt Lake Company, covering the transaction herein authorized to be made.

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

Dated at San Francisco, California, this 29th
day of August, 1917.

Man. Thelen

Oliver Gordon

Frazer R. Perkins

Commissioners.