

MM

Decision No. 6031-

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Reorganization of)
 NORTHERN ELECTRIC RAILWAY COMPANY,)
 NORTHERN ELECTRIC COMPANY, NORTHERN)
 ELECTRIC RAILWAY COMPANY- Marysville)
 and Colusa Branch, and SACRAMENTO &)
 WOODLAND RAILROAD COMPANY, and of the)
 application for authority to transfer)
 the properties of the last mentioned)
 corporations to a new corporation and)
 for permission to issue stocks and bonds)
 of said new corporation.)

Application Number 1933.

Sidney M. Ehrman, for applicant.

EDGERTON, Commissioner.

FIRST SUPPLEMENTAL OPINION

Sacramento Northern Railroad asks authority to use moneys realized from its Class "A" bonds to pay and satisfy indebtedness and mortgages of Northern Realty Company and pay reorganization and foreclosure expenses.

The record shows that through foreclosure proceedings Sacramento Northern Railroad has acquired the properties of Northern Electric Railway Company et al. referred to in Decision Number 5432, dated May 26, 1918. Among the properties so acquired is the outstanding stock (75,500.00) of Northern Realty Company.

Part of the properties of the Realty Company are used by the Railroad for operative purposes. In its report of November 1, 1916 filed as the Railroad Commission's Exhibit Number 4, in the above entitled matter, the engineering department of the Commission valued the operative properties of the Northern Realty Company at \$195,302.00 and the non-operative properties at \$249,724.00. On February 14, 1914 and on September 22, 1914 Northern Realty Company executed mortgages to secure the payment of indebtedness due the Sloss Securities Company. The balance due the Sloss Securities Company is reported at \$273,181.70. The petition herein shows that actions have been commenced to foreclose the mortgages. In Exhibit "1" attached to the petition is outlined a proposed settlement between Sacramento Northern Railroad, the holder of the stock of Northern Realty Company, and the Sloss Securities Company. Under the terms of this settlement the Railroad will pay to the Securities Company \$137,500.00 in cash, cause the Realty Company to convey to the Securities Company the properties described in Exhibit "A" attached to Exhibit "1"; such conveyance to be subject to the encumbrances and leases referred to therein and subject to the lien of the taxes for the fiscal year 1918-19; and to cause the Realty Company to transfer its right, title and interest to \$75,000.00 of Northern Electric Railway Company bonds to the Securities Company. The Sloss Securities Company in turn agrees to accept the cash, properties and bonds in full payment, satisfaction and discharge of all indebtedness, obligations, claims or demands of any kind or nature whatsoever, due or owing from said Northern Realty Company to Sloss Securities Company, agrees to assume the payment of the encumbrances on the properties to be transferred to it and cause the Union Trust Company of San Francisco to dismiss the action to foreclose the mortgages.

The properties to be retained by the Northern Realty Company were, according to the testimony of George F. Detrick, president of the Sacramento Northern Railroad, appraised by the Commission's engineering department at \$263,000.00. These properties are subject to a mortgage indebtedness of \$76,250. This indebtedness Sacramento Northern Railroad intends to pay. Most of the properties retained by the Realty Company are used by the Railroad in its operation.

The lien of the deed of trust of the Railroad covers the \$75,500 of Northern Realty Company stock. The record shows that the \$75,500 of stock of Northern Realty Company has not been actually delivered to the Trustee. This stock should forthwith be deposited with the Trustee as required in the deed of trust.

Sacramento Northern Railroad also asks permission to expend moneys realized from Class "A" bonds to pay reorganization and foreclosure expenses aggregating \$438,017.39. The amount represents expenses incurred to date. For the purpose of paying the \$438,017.39 and additional expenses which may arise out of the reorganization, I believe that the company should be permitted to expend an amount not exceeding \$440,000.

I herewith submit the following form of Order.

THIRD SUPPLEMENTAL ORDER.

SACRAMENTO NORTHERN RAILROAD having applied to the Railroad Commission for authority to expend proceeds from the sale of Class "A" bonds, a hearing having been held and the Commission being of the opinion that the request should be granted;

IT IS HEREBY ORDERED that Sacramento Northern Railroad be, and it is hereby, granted authority to expend \$653,750

of the proceeds realized from the sale of its Class "A" bonds for the following purposes:--

- (a).-- To pay reorganization and fore-closure expenses referred to in the statement filed with the Commission on November 25, 1918, ...\$440,000
- (b).-- To effect a settlement with Sloss Securities Company, as outlined in Exhibit "1", attached to the supplemental petition herein, ...\$137,500
- (c).-- To pay and discharge mortgage indebtedness of Northern Realty Company referred to in the supplemental petition herein,\$ 76,250

The authority herein granted to Sacramento Northern Railroad to expend \$213,750.00 to effect a settlement between Northern Realty Company and Sloss Securities Company, and pay mortgage indebtedness of Northern Realty Company is upon the condition that Northern Realty Company will not transfer or encumber any of its properties without the consent of the Railroad Commission, and upon the further condition that Northern Realty Company file semi-annual verified financial statements showing its assets and liabilities as of December 31st and June 30th of each year, and its revenues and expenses for the six month period ending December 31st and June 30th of each year, such financial statement to be filed on or before January 30th and July 30th of each year.

Within ninety days after the date hereof, Sacramento Northern Railroad shall file with the Commission a

verified report showing to what extent and in what manner
it has exercised the authority herein granted.

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

Dated at San Francisco, California, this 27th -
day of December, 1918.

Edwin O. Edgerton
H. J. Bond
Alex. G. Gordon
Frank P. Brown

Commissioners.