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Decision No. 8834.

**ORIGINAL**

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application of )  
THE WESTERN PACIFIC RAILROAD COMPANY )  
to issue bonds. )

Application No. 6668.

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Carl Taylor and L. Hinsdale, for applicant;  
Morrison, Dunne & Brobeck and Max Thelen, by H.E. Phleger,  
for Mercantile Trust Company.

MARTIN, Commissioner.

O P I N I O N.

THE WESTERN PACIFIC RAILROAD COMPANY, a California corporation, asks permission to issue and sell \$4,180,000.00 of its first mortgage 5 per cent bonds, due March 1, 1945. The company intends to sell these bonds at 85 and accrued interest to The Western Pacific Railroad Corporation, a Delaware corporation.

It appears from the record in this proceeding that The Western Pacific Railroad Corporation has offered to purchase the outstanding stock and bonds of the Sacramento Northern Railroad, a California corporation. The Western Pacific Railroad Corporation has offered to pay \$27.50 per share for the first preferred, \$15.00 per share for the second preferred and \$6.00 per share for the common stock of the Sacramento Northern Railroad. It has also offered to exchange for the bonds of Sacramento Northern Railroad, regardless of the various classes, first mortgage bonds of The Western Pacific Railroad Company on the basis of \$80.00 face value of The Western Pacific Railroad Company bonds for \$100.00 face value of Sacramento Northern Railroad bonds, subject to the conditions of the offer.

Applicant in Exhibit "5" reports stock of Sacramento Northern Railroad outstanding as follows:

First Preferred, .....	\$1,808,362.31
Second Preferred, .....	793,152.19
Common Stock, .....	1,883,382.65
Total, .....	<u>\$4,484,897.15.</u>

The bonds certified by the Mercantile Trust Company, trustee, under the mortgage of the Sacramento Northern Railroad are reported in applicant's Exhibit No. 4, as follows:

Class "A" Bonds, .....	\$1,908,839.78
Class "B" Bonds, .....	904,313.66
Class "C" Bonds, .....	1,205,645.96
Class "D" Bonds, .....	1,205,645.96
Total, .....	<u>\$5,224,445.36</u>

The testimony shows that approximately 91-1/2 per cent of the stock and 91-1/2 per cent of the bonds have been deposited under the offer made by The Western Pacific Railroad Corporation. In order to secure bonds of The Western Pacific Railroad Company to enable it to carry out its offer, The Western Pacific Railroad Corporation has agreed to purchase at 85 and accrued interest \$4,180,000.00 face value of bonds of The Western Pacific Railroad Company, or such an amount thereof as it will find necessary to own in order to comply with the terms of its offer to the stock and bondholders of the Sacramento Northern Railroad.

Applicant asks permission to deposit the proceeds realized from the sale of the bonds referred to in this application with the trustee under its mortgage and to expend such proceeds in accordance with the terms and provisions of the mortgage. The order herein will permit the sale of the bonds and the deposit of the proceeds with the trustee and will further provide that none of the proceeds shall be expended except for such purposes as the Railroad Commission may hereafter authorize.

Morrison, Dunne & Brobeck and Max Thelen, by H.H. Phleger, appearing for Mercantile Trust Company, urged that the Commission confine its order to the sale of the bonds, the designation of the price at which the bonds may be sold and the use of the proceeds. These are the only matters formally before the Commission and the order of the Commission will be confined thereto.

While the Commission is advised of the offer made by The Western Pacific Railroad Corporation to the stock and bondholders of the Sacramento Northern Railroad and the deposit of over 90 per cent of the outstanding stock and bonds of the Sacramento Northern Railroad under such offer, it may be well to call attention to the fact that the purchase of the stock and bonds of the Sacramento Northern Railroad by The Western Pacific Railroad Corporation may be made without permission from this Commission. We, therefore, do not deem it necessary to pass in any manner whatsoever on the advisability of The Western Pacific Railroad Corporation purchasing the stock and bonds of the Sacramento Northern Railroad, or on the price which it is being paid for such stock and bonds.

I herewith submit the following form of Order.

O R D E R.

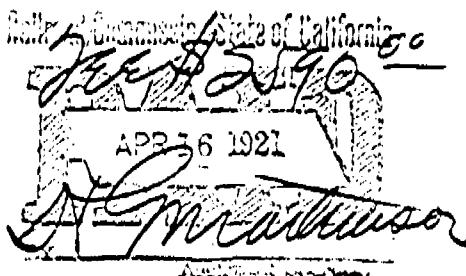
THE WESTERN PACIFIC RAILROAD COMPANY having applied to the Railroad Commission for permission to issue and sell \$4,180,000.00 of its first mortgage 5 per cent bonds, due March 1, 1946, a public hearing having been held by the Railroad Commission and it being the opinion of the Commission that the money to be procured by such issue is reasonably required for the purpose specified in this order, and that such money should be expended only for such purpose or purposes as are not in whole or in part reasonably chargeable to operating expenses or to income, as may be hereafter permitted by the Railroad Commission;

IT IS HEREBY ORDERED, that THE WESTERN PACIFIC RAILROAD COMPANY be, and it is hereby authorized to issue and sell, for cash, at not less than 85 per cent of their face value and accrued interest \$4,180,000.00 of its first mortgage 5 per cent bonds, due March 1, 1946, provided:-

- 1.--THAT all the proceeds obtained from the sale of the bonds herein authorized will be deposited with the First Federal Trust Company, corporate trustee under the first mortgage executed by The Western Pacific Railroad Company, and expended only for such purposes as the Railroad Commission may hereafter authorize by supplemental order or orders.
- 2.--THAT The Western Pacific Railroad Company will keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds, as will enable it to file on or before the 25th day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this Order.
- 3.--THAT the authority herein granted to issue bonds will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.
- 4.--THAT the authority herein granted will apply only to such bonds as may be issued, sold and delivered on or before September 1, 1921.

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 9<sup>th</sup> day of April, 1921.



George R. Wilson  
H. L. Loveland  
H. B. Brundage  
Erving Martin  
COMMISSIONERS.