

IM

ORIGINAL

Decision No. 9242

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of)
SAN DIEGO AND ARIZONA RAILWAY COMPANY)
for permission to sell certain of its)
equipment consisting of rolling stock)
and to mortgage certain of its real)
estate.)

Application No. 6933.

Read G. Dilworth, for Applicant.

LOVELAND, Commissioner.

O P I N I O N.

In this application, as amended at the hearing, SAN DIEGO AND ARIZONA RAILWAY COMPANY asks permission to sell some of its equipment, to mortgage certain real estate situate in San Diego County, and to assume certain financial obligations under a lease by the terms of which it will secure the possession and use of certain railway equipment.

San Diego and Arizona Railway Company was organized on or about December 15, 1906 under the laws of the State of California. It operates a line of railway between San Diego and Lakeside, a distance of about 23 miles; a line of railway around the bay of San Diego to the United States government reservation on North Island, a distance of about 21.9 miles; and a line of railway from San Diego to El Centro in Imperial County, a distance of 148.1 miles.

Applicant reports \$7,826,800. of stock outstanding. Of the outstanding stock \$3,913,100. is owned by the Southern Pacific Company and \$3,913,100. by the J. D. & A. B. Spreckels Securities Company. The remainder of the stock is owned by the directors.

The testimony shows that the Southern Pacific Company has from time to time advanced moneys to applicant to enable it to complete its line of railway. Applicant, during the construction period, has found it necessary to use some of the construction funds to buy equipment. It is now proposed to sell to the trustee under the proposed trust agreement this equipment at its depreciated value reported at \$138,629.37. The equipment consists of five locomotives and two tank cars. The money received from the sale of the equipment will then become available and be used for construction purposes, as originally intended when advances were made by the Southern Pacific Company.

It appears from the record that applicant is making arrangements to secure the use of additional equipment through assuming some very definite financial obligations under a lease and equipment trust agreement. Negotiations are pending for the sale of not exceeding \$750,000. of San Diego and Arizona Railway Company Series "A" equipment trust certificates bearing dividend warrants or interest, at the rate of 6½% per annum, and payable May 1, 1936. These certificates will be issued by a trustee and the proceeds used to pay in part for equipment which will be leased to the San Diego and Arizona Railway Company. The railway company agrees to pay to the trustee or its assigns, sufficient rent to enable the trustee or its assigns to discharge the following obligations, when due and payable:-

(a) An amount equal to the difference between the cost of the trust equipment delivered, and the principal amount of trust certificates issued, provided that the aggregate of amount so paid to the trustee shall not be less than 30% of the cost of the trust equipment

(b) All expenses connected with the trust equipment and lease.

(c) Any and all taxes, assessments and governmental charges upon the income or property of the trust.

(d) Dividend warrants attached to the trust certificates.

(e) The principal of the trust certificates upon maturity, such payments to be made in the following amounts:-

May 1, 1924	\$50,000.
May 1, 1925	50,000.
May 1, 1926	50,000.
May 1, 1927	50,000.
May 1, 1928	50,000.
May 1, 1929	50,000.
May 1, 1930	50,000.
May 1, 1931	50,000.
May 1, 1932	50,000.
May 1, 1933	50,000.
May 1, 1934	50,000.
May 1, 1935	100,000.
May 1, 1936	100,000.

It occurs to me that applicant is assuming under the lease, obligations which are of the character of evidences of indebtedness, and that the payment of these obligations is secured by a lien on property located within this state. While it is true that applicant will not have title to the equipment, the whole purpose and intent of the lease agreement and the equipment trust agreement is to secure for applicant additional equipment. I believe that this Commission should authorize applicant to assume the obligations under the lease agreement. The payment of the equipment trust certificates which will be issued to secure for applicant additional equipment, will be guaranteed by the Southern Pacific Company and the J. D. and A. B. Spreckels Securities Company.

The Commission has not been furnished with a detailed statement of equipment which will be purchased and leased to applicant or with a revised copy of the lease agreement and equipment trust agreement.

The Commission cannot make a final order in this matter until a complete description of the equipment which applicant intends to sell has been furnished, nor until a revised copy of the lease and of the equipment trust agreement has been filed with the Commission. The order herein will authorize, in so far as this Commission has jurisdiction, under the provisions of the Public Utilities Act, the sale of equipment trust certificates subject to the conditions set forth in this order.

I herewith submit the following form of order:-

O R D E R

SAN DIEGO AND ARIZONA RAILWAY COMPANY, having applied to the Railroad Commission for permission to sell certain equipment and to mortgage certain real estate and to assume certain obligations under a lease agreement and equipment trust agreement, a public hearing having been held, and the Commission being of the opinion that this application should be granted subject to the conditions of this order;

IT IS HEREBY ORDERED that San Diego and Arizona Railway Company be, and it is hereby, authorized to perform the following acts;

1. To assume the obligations under the lease agreement and equipment trust agreement filed in this proceeding relative to payment of not exceeding \$750,000. of 6½% of equipment trust certificates, the issue of which equipment trust certificates is hereby authorized for the purpose of enabling applicant to secure the use of additional equipment, provided that none of the equipment trust certificates be delivered until the Railroad Commission by supplemental order, has authorized the execution of an agreement securing payment of the equipment trust certificates.

2. To mortgage part or all of its real property located in San Diego County for the purpose of securing the payment of equipment trust certificates which will be issued to enable applicant to secure possession of additional equipment.

3. To sell at its depreciated value the equipment described in Exhibit "B", filed in this proceeding, for the purpose set forth in this application.

The authority herein granted is subject to the following conditions:-

a. The equipment trust certificates which are herein authorized to be issued shall be sold on a 7% basis or better, and the proceeds expended only for such purposes as the Railroad Commission may hereafter authorize.

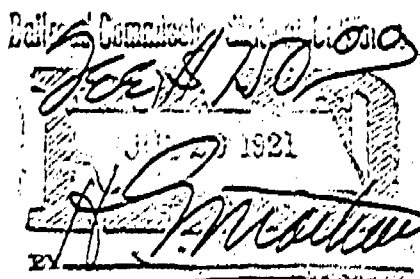
b. San Diego and Arizona Railway Company shall keep such record of the issue and sale of the equipment trust certificates herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order in so far as applicable, is made a part of this order.

c. The authority herein granted will not become effective until San Diego and Arizona Railway Company has paid the fee prescribed in the Public Utilities Act.

d. The authority herein granted will apply only to such equipment trust certificates as may have been issued and delivered on or before December 31, 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 16th day of July, 1921.



Handwritten signatures: [unclear], [unclear], [unclear]

Handwritten note: During the [unclear] period. Order # 9990 authorized \$150,000.00 fund [unclear].