

Decision No. 28088

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
THE CALIFORNIA TRANSPORTATION COMPANY
for an order authorizing the execution
of an agreement with its bondholders,
and if and when said agreement shall
become effective as therein provided
to record the same and by The Anglo-
California National Bank of San Fran-
cisco as its agent, to stamp and de-
liver bonds with new coupons and scrip
certificates added to the holders of
deposit certificates in exchange, such
stamped bonds with new coupons and
scrip certificates annexed thereto.

ORIGINAL

Application No. 19904

McKinstry, Haber and Coombes, by Joseph Haber, Jr.,
for applicant.
W. H. Metson, for applicant.
Cushing and Cushing, by Delger Trowbridge, in propria
persona and for the Trowbridge Trust bondholders.
Wallace Sheehan and Bradford M. Melvin, for A.D.
Schindler, in his personal capacity, and A. D.
Schindler as administrator of the Estate of
Margaret J. Schindler, Deceased, Bondholders.
Paul A. McCarthy, for Emma Meullman, a bondholder.
Alfred Fuhrman, in propria persons, a bondholder.
A. S. Newburgh, for Market & Taylor Building Company,
a bondholder.

BY THE COMMISSION:

O P I N I O N

This application involves the amendment of the trust in-
denture of The California Transportation Company and of the terms
and conditions of the bonds issued under such indenture.

The Commission by Decision No. 18218 dated April 11, 1927
in Application No. 13636 authorized the company to issue \$650,000.
of first mortgage 6% bonds due March 1, 1939. Of these bonds there
are now \$579,000.00 outstanding. The company has not been able

to pay interest on such bonds since March 1, 1933, and is not able at this time to pay 6% interest on such bonds.

Because of its inability to pay interest on its outstanding bonds the company plans to call upon the holders of its bonds to consent to a number of changes in the bonds and its trust indenture. Some of these changes are as follows:-

1. The bondholders will be asked to waive all past defaults and accept for the four unpaid interest coupons due September 1, 1933, March 1, 1934, September 1, 1934 and March 1, 1935 scrip certificates payable March 1, 1950.
2. The bondholders will be asked to consent to the extension of the maturity date of the bonds from March 1, 1939 to March 1, 1950.
3. The bondholders will be requested to cancel all interest coupons for the period March 1, 1935 to March 1, 1939, and agree to accept interest coupons bearing the following rates of interest; ^{per annum} 3% per annum for the period March 1, 1935 to March 1, 1938; 4% for the period March 1, 1938 to March 1, 1940; and 5% per annum for the period March 1, 1940 to March 1, 1950.
4. The bondholders will be requested to consent to a reduction in the price at which the company may redeem its bonds, from 101-7/8 to par.
5. The bondholders will be requested to consent to a modification of the provisions of the company's trust indenture relating to insurance, sinking fund and the release of properties from the lien of the indenture.

The Commission directed applicant to publish a notice of the hearing on this application at least thirty (30) days prior to

the date of the hearing, and to mail a notice of such hearing to all holders of bonds of which it had a record. Affidavits filed in this proceeding show that the company published and mailed the notice of the hearing. The company at the hearing had on May 22nd presented its evidence. At such hearing representatives of certain bondholders asked for a continuance of the hearing to give them an opportunity to examine the evidence submitted and reach a conclusion as to what position they desire to take in the matter. Pursuant to this request the hearing was continued to June 13th, at which time a further continuance was asked. This request was also granted and a further hearing had on June 19th, at which time the matter was taken under submission. As a result of the hearings and conferences had between representatives of owners of some of the company's bonds, and representatives of the company, the company modified some of the provisions of its plan filed April 6, 1935. Exhibit "A" attached hereto contains applicant's proposed amendments to its trust indenture.

As of December 31, 1934 applicant reports assets and liabilities as follows:-

<u>ASSETS</u>	
Investment in real property and equipment	\$3,966,616.20
Reserves for accrued depreciation	388,080.26*
Miscellaneous investments	291,688.19
Total investment	<u>\$3,870,224.13</u>
Cash	\$ 4,997.83
Loans and bills receivable	2,483.74
Net balance due from agents, pursers and stewards	2,831.80
Miscellaneous accounts receivable	289.81
Material and supplies	<u>56,343.57</u>
Total working assets and accrued income.....	<u>\$ 66,946.75</u>
Rents paid in advance	\$ 2,600.00
Insurance premiums paid in advance.....	473.68
Taxes paid in advance	683.55
Unamortized debt discount and expense.....	<u>17,528.01</u>
Total deferred debit items	<u>\$ 21,285.24</u>
Grand total.....	<u><u>\$3,958,456.12</u></u>

*Red figure

LIABILITIES

Capital stock	\$2,500,500.00
Premium on capital stock	487,056.79
Total stocks....	<u>\$2,987,556.79</u>
Funded debt	\$ 579,000.00
Obligations for long-term advances received.....	54,225.88
Total long term debt...	<u>\$ 633,225.88</u>
Loans and bills payable	\$ 673,944.06
Audited vouchers and wages unpaid	1,447.15
Miscellaneous accounts payable	47,409.23
Matured interest and dividends unpaid.....	52,110.00
Unmatured dividends, interest and rents payable..	11,580.00
Total working and accrued liabilities	<u>786,490.44</u>
Corporate surplus	5,365.88
Profit and loss-Debit	454,182.87*
Grand total	<u><u>\$5,958,456.12</u></u>

*Red figure

The properties of applicant are being operated by The River Lines, under an agreement which gives to The California Transportation Company one half of the net income of The River Lines. The California Transportation Company, however, must provide for depreciation on the property owned by it. The depreciation is a deduction that is made before arriving at the net income as defined in the proposed amended trust indenture. We believe that so long as The California Transportation Company has any of its present bonds outstanding, the moneys which it appropriates for depreciation may be used to renew or replace its properties or redeem its bonds. Any depreciation moneys not immediately needed for those purposes should be expended only for such purposes as may hereafter be authorized by the Commission. The Commission reserves the right to modify this requirement, if in its opinion future conditions warrant a modification and therefore the matter should not be incorporated in the trust indenture.

We have considered the suggestion made by some of the company's bondholders. To the extent that we find them practical and reasonable, bearing in mind the financial condition of the company, we have incorporated them in the order herein, or in Exhibit "A" which is a part of the order.

It should be understood that the Commission's order in this matter does not compel any holder of bonds to deposit the same under the proposed refinancing plan.

O R D E R

The application heretofore filed by The California Transportation Company requesting an Order of the Railroad Commission of the State of California authorizing The California Transportation Company to execute an agreement with the latter's bondholders and if and when said agreement should become effective to proceed thereunder, coming on regularly for a public hearing before Examiner Fankhauser of the said Railroad Commission, on the 22nd day of May, 1935, and at the adjourned hearings on June 13, 1935 and June 19, 1935, at the hour of two o'clock p.m. of said days; and it appearing that the Railroad Commission of the State of California had, by an order duly given, made and entered by it on the 11th day of April, 1935, directed that a public hearing on said application should be had before Examiner Fankhauser on Wednesday, the 22nd day of May, 1935, at 2 o'clock p.m. of said day at the office of said Commission in the State Building, San Francisco, California, and it then appearing to the Railroad Commission by proof on file in the office thereof, that due notice had been given by publication of a notice on the 13th day of April, 1935, of the time and place of said hearing in "The Recorder", a daily newspaper then of general circulation in the City of San Francisco, and it appearing further by proof on file that due notice of said hearing was given by mail, postage prepaid, to all persons known at any time to have been a bondholder in said The California Transportation Company,

by mailing in the United States Post Office at San Francisco, California, on April 17th, 1935, a printed copy of said notice, enclosed in an envelope, postage prepaid, through the United States mails addressed to each of said respective bondholders in The California Transportation Company, at the last known place of address of each respective bondholder, notifying each of said bondholders of the fact that said public hearing was to be held at the said office of said Commission at the hour of 2 p.m. of May 22, 1935, before said Examiner Fankhauser, and said Commission at said time and place and on said May 22nd, 1935, at the hour of 2 o'clock p.m. of said day, and thereafter on June 13th, 1935, and on June 19th, 1935, having conducted and held public sessions upon the fairness of such proposed agreement and of the issuance and exchange of securities provided for thereby, and at each of which said hearings all interested parties were given an opportunity to be heard, and at which said hearings and each of them, all interested parties who desired a hearing thereon were in fact heard, and oral and written evidence having been heard and given, at each of said hearings in support of said application and respecting the affairs of said corporation, and regarding the matters set out in said application; and the Commission having considered the record in this matter and it appearing to the Commission that the agreement proposed, discussed and considered at said hearings, and the issuance and exchange of securities proposed therein and discussed at said hearings are, if modified as proposed herein, in all respects fair and reasonable,

NOW, THEREFORE, the Railroad Commission of the State of California, after hearing all the parties requesting to be heard, and after concluding said public sessions held upon said

application and notice thereof, and being duly advised in the premises, hereby finds and determines as fair and reasonable the proposed agreement, therefore,

IT IS HEREBY ORDERED that The California Transportation Company be, and it is hereby, authorized to execute on or before December 31, 1935 an agreement substantially in the same form as that on file in this proceeding, provided said agreement is modified to conform with Exhibit "A" attached hereto and made a part hereof, and to perform such other acts under the Commission's jurisdiction, as are necessary to carry said agreement into effect.

IT IS HEREBY FURTHER ORDERED that The California Transportation Company may, on or before December 31, 1935, execute a supplemental trust indenture amending its trust indenture dated March 1, 1927, along the lines indicated in Exhibit "A" attached hereto and made a part hereof, provided the authority herein granted to execute a supplemental trust indenture is for the purpose of this proceeding only, and is granted insofar as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said supplemental trust indenture as to such other legal requirements to which said supplemental trust indenture may be subject.

IT IS HEREBY FURTHER ORDERED that so long as The California Transportation Company has any of its present ^{outstanding} bonds/it may not use moneys set aside for, or appropriated on account of depreciation, for any purpose other than to renew or replace properties or redeem bonds, unless the expenditures of such moneys for purposes other than those referred to herein, are authorized by the Commission.

IT IS HEREBY FURTHER ORDERED that The California Transportation Company shall within thirty (30) days after the execution of the supplemental trust indenture, authorized to be executed herein, file with the Commission two certified copies of such supplemental trust indenture.

DATED at San Francisco, California, this 28th day of June, 1935.

M. B. Lavin
Matthew W. Lavin
Braun R. Lavin

Commissioners.

EXHIBIT A.

I..... CHANGES IN ORIGINAL INDENTURE.

1. In lieu of the year "1939" where the same appears in paragraph one of Section 2 of Article I of the Indenture, there is substituted therefor the year "1950."
2. For paragraph two of Section 2 of Article I of the Indenture, there is substituted the following:

"All of said bonds shall bear interest from date until March 1, 1933, at the rate of six (6) per cent. per annum. Interest for the period March 1, 1933 to March 1, 1935 shall be deferred and shall be represented by detachable Scrip Certificates attached to said bonds in the principal amount of twelve (12) per cent. of the principal amount of said bonds, and said Scrip Certificates shall be substantially in the following form:

'DETACHABLE SCRIP CERTIFICATE.

\$ _____ NO. _____

On or before the first day of March, 1950, THE CALIFORNIA TRANSPORTATION COMPANY promises to pay to bearer at the office of The Anglo California National Bank of San Francisco in the City and County of San Francisco, State of California, _____

_____ dollars \$ _____)
In lawful money of the United States, being two years' deferred interest on its First Mortgage Sinking Fund Gold Bond No. _____.

Secretary

All of said bonds shall bear interest for the period March 1, 1935 to March 1, 1938 at the rate of three (3) per cent. per annum, and for the period March 1, 1938 to March 1, 1940, at the rate of four (4) per cent. per annum, and for the period March 1, 1940 to March 1, 1950, at the rate of five (5) per cent. per annum.

The semi-annual interest coupons for the period March 1, 1935, to March 1, 1950 shall be substantially in the following form:

\$ _____ No. _____

On the first day of _____, 19 _____, The California Transportation Company promises to pay to bearer _____ Dollars (\$ _____) in lawful money of the United States, at the office of The Anglo California National Bank of San Francisco in San Francisco, California, (subject to previous redemption

of the bonds herein mentioned), being six(6) months' interest then due upon its First Mortgage Sinking Fund Gold Bond No. _____.

Secretary.

There shall be attached to said bonds coupons and detachable scrip certificates in accordance with the foregoing.

All coupons and scrip certificates shall be authenticated by the facsimile signature of the person who was the Secretary of the Company on March 1, 1927.

Scrip certificates shall be payable to bearer and shall not be registerable.

All provisions as to substitution for a lost or destroyed bond or coupon of another bond or coupon shall apply to the substitution for a lost or destroyed scrip certificate of another scrip certificate.

3. There is eliminated from Section 1 of Article II of the Indenture the following:

"The Company further covenants that said principal and interest shall be payable without deduction, so far as may be lawful, from either principal or interest for any tax or assessment (other than estate, succession and inheritance taxes and such part of any federal or other income tax as may be in excess of two (2) per cent.) which the Company or the Trustee may be required or permitted to pay thereon, or to deduct therefrom, under any present or future law of the United States of America, or of any state, territory, county or municipality, or taxing district therein."

4. There shall be stricken out and eliminated from Section 12 of Article II of the Indenture the following:

"Section 12. The Company covenants that, at all times while any of the said bonds shall be outstanding hereunder, it will keep all buildings and other structures erected or to be erected on the mortgaged premises insured against loss or damage by fire in an aggregate amount not less than their full insurable value,"

and in lieu thereof there is substituted the following:

"Section 12. The Company covenants that, at all times while any of the said bonds shall be outstanding hereunder, it will keep each building and other structure erected or to be erected on the mortgaged premises insured against loss or damage by fire in a reasonable amount satisfactory to the Trustee;"

The following is stricken out and eliminated from said Section 12 of Article II of the Indenture;

"(in no event less than the aggregate amount of \$1,000,000);"

and in lieu thereof is substituted the following:-

"Satisfactory to the Trustee, but in no event in an amount less than the face value of the bonds and scrip certificates outstanding".

5. There are stricken out and eliminated from the Indenture the first two paragraphs of Section 1 of Article III thereof, and in lieu thereof the following is substituted:-

"Section 1. Prior to August 31, 1938, while any of the bonds, the coupons appertaining thereto, or the scrip certificates secured hereby shall remain outstanding, the Company shall make no payments on the principal of its indebtedness other than bonded indebtedness, except that the Company may make payments on any purchase money contract for the acquisition of property and on principal of any money borrowed by it subsequent to April 15, 1935.

While any of said bonds, coupons or scrip certificates are outstanding, the Company until the principal of such bonds outstanding shall be reduced to One Hundred and Fifty Thousand Dollars (\$150,000.00) shall pay (a) no dividends on its capital stock, and (b) ~~no~~ interest on any of its other indebtedness at a rate in excess of the rate of interest on its bonds represented by the then next maturing coupon appertaining thereto, except that interest in excess of such rate may be paid at the agreed rate on any purchase money contract for the acquisition of property and at the agreed rate on any moneys borrowed by the Company subsequent to April 15, 1935.

Commencing with the semi-annual period March 1st to August 31st, 1938, and each semi-annual period thereafter, the Company shall pay to and deposit in a Sinking Fund fifty per cent. of its net income for such period, which payment and deposit shall be made on or before the 20th day of the calendar month next succeeding such semi-annual period. Such net income shall be determined according to the present rules of accounting of the Railroad Commission of the State of California, and the deductions from gross income shall include depreciation at a rate not in excess of the rate then allowed by Federal Income Tax Authorities and interest on all indebtedness of the Company not in excess of rates as hereinbefore provided, provided, however, that in determining such net income for the purpose of such Sinking Fund payments, the Company may deduct all payments made on purchase money contracts for the acquisition of

property not subject to the lien hereof and all payments of principal on moneys borrowed by the Company subsequent to April 15, 1935.

The remaining fifty per cent. of such net income as so determined for each such semi-annual period shall be used by the Company first for necessary capital expenditures, and second for payment of principal of any indebtedness of the Company. In the event that any property acquired by any such capital expenditure thereafter shall be sold by the Company, the proceeds of such sale shall be paid into the Sinking Fund.

If at any time the Company shall have no indebtedness other than bonded indebtedness, then the remaining balance of fifty per cent. of such net income for any such semi-annual period or any part thereof not required either for capital expenditures or working capital of the Company, shall be paid into the Sinking Fund."

6. There is stricken and eliminated from the Indenture Section 2 of Article III thereof.
7. There shall be stricken and eliminated from the Indenture Sections 3 and 4 of Article III thereof, and in lieu thereof there are substituted the following:

Section 3: From time to time and at any time while any of the bonds issued hereunder are outstanding, the Trustee shall at the request of the Company cause to be published a notice in a newspaper published in the City and County of San Francisco calling for offers to be submitted to the Trustee within two (2) weeks from the first day of the publication of the advertisement for the sale to the Trustee on said day of so many of said bonds of the Company (but not the Scrip Certificates appertaining thereto) as may be required to absorb the moneys then in the sinking fund. The Trustee, if any offer or offers shall be received for the sale to it of bonds (but not Scrip Certificates appertaining thereto) at a price not exceeding the call price thereof, shall accept the lowest offer or offers made and forthwith shall purchase with the moneys so on deposit in the sinking fund so many of said bonds (but not the scrip certificates appertaining thereto) as may be required to absorb such moneys, or any part thereof. Should there be one or more proposals at the same lowest price aggregating more than the Trustee has available for the purchase of bonds, such proposals shall, if possible under their terms, be accepted pro rata. The Trustee shall have the right to reject any and all proposals in whole or in part if the Trustee is able at the time of opening such proposals to purchase the requisite amount of bonds (either with or without the Scrip Certificates thereto appertaining) at a lower price, and the Trustee shall have authority to purchase

such bonds (either with or without the Scrip Certificates thereto appertaining) at such lower price. If from time to time upon such notice being given no offers or an insufficient number of offers to sell such bonds (but not the Scrip Certificates thereto appertaining) at or below the call price thereof shall be made, then the moneys then remaining on deposit in the sinking fund shall be allowed to accumulate. All bonds and scrip certificates purchased by the Trustee pursuant to this paragraph shall be cancelled by the Trustee and thereafter delivered to the Company.

Section 4: The Company at its option and as provided in this Section, on any interest payment date on or before March 1, 1950, may redeem by call all or any of the outstanding bonds secured hereby by depositing in the sinking fund for the benefit of holders of bonds to be redeemed a sum of money equal to the principal amount of the bonds to be redeemed, together with all interest accrued thereon to the date of such redemption, and a sum of money equal to the principal amount of the unpaid Scrip Certificates which were originally attached to the bonds to be redeemed. Whenever the Company shall desire to redeem any bonds at any interest payment date, it shall so notify the Trustee, and the Trustee prior to such date shall cause to be published at least once a week for four successive weeks in a newspaper of general circulation printed and published in the City and County of San Francisco, State of California (the first publication to be not less than sixty (60) days before the redemption date) a notice stating that on the next ensuing interest payment date the bonds specified in such notice, together with the Scrip Certificates which were originally attached thereto, will be redeemed, and that there will be due and payable on such bonds and Scrip Certificates at the place specified therein for payment, the principal amount of said bonds with accrued interest and the principal of said Scrip Certificates as hereinbefore provided. If the Company shall propose to redeem on such date less than all of the bonds and Scrip Certificates at the time outstanding hereunder, it shall notify the Trustee of the aggregate principal amount of the bonds and Scrip Certificates which it proposes to redeem, and the Trustee thereupon shall draw by lot the serial numbers of the outstanding bonds to a corresponding amount of face value, and shall certify to the Company the serial numbers of the bonds so drawn, and the bonds so certified shall be specified in such notice by numbers as the bonds called for redemption on such interest payment date, together with the Scrip Certificates appertaining thereto. If any of the bonds so to be redeemed shall be registered, similar notice directed to all of the

persons severally, who shall appear on the books of registry of the Trustee as the registered holders of said bonds at their addresses as they appear on said books, shall be mailed by the Trustee, postage prepaid, at least thirty (30) days prior to the date fixed for redemption. If before such redemption date the Company shall deposit with the Trustee a sum sufficient for the redemption of the bonds specified in the published notice, together with the scrip certificates appertaining thereto, such bonds and scrip certificates so called for redemption shall be considered redeemed and they shall become and be payable at the redemption dates specified in such notice by the Trustee at its office in the City and County of San Francisco, State of California, at the aforesaid redemption price. In case any question shall arise as to whether any such notice shall have been sufficiently given, such question shall be decided by the Trustee in its discretion, and the decision of the Trustee shall be final and binding upon all parties in interest. On or after the redemption date specified in said notice the Trustee shall pay or cause to be paid out of any moneys in the sinking fund applicable for that purpose the bonds and scrip certificates specified in such notice as called for redemption at the aforesaid redemption rate. Such payment shall be made to the bearer of the bonds, or, if the bonds be registered, then to the registered holders or assignees, but in either case only upon surrender of such bonds with all unmatured interest coupons thereto attached. If any such called bonds and/or scrip certificates shall not be presented for payment on such redemption date specified therefor, the Trustee shall thenceforward hold on special trust deposit for the benefit of the holders of such bonds and scrip certificates the sums so deposited in the sinking fund for the redemption thereof and shall pay said bond at the applicable redemption rate and said scrip certificates when they are respectively presented for payment, and no further interest shall accrue ~~for any period~~ on any such called bonds after such redemption date fixed in said notice, and any coupons for interest on such bonds maturing after such redemption date shall become null and void, anything in said bonds or coupons or in this deed of trust to the contrary notwithstanding. If there shall not be presented with any such called bonds the scrip certificate or certificates originally attached thereto, the Trustee shall hold on said special trust deposit for the benefit of the holder of such scrip certificate or certificates an amount equivalent to the sum so deposited for the payment thereof, and shall pay such scrip certificate or certificates only upon the presentation and surrender thereof for payment. All bonds and/or scrip certificates so redeemed and paid as aforesaid shall be cancelled by the Trustee and thereafter delivered to the Company.

8. There is stricken and eliminated from Paragraph two of Section 1 of Article IV of the Indenture the following:

"(b) any vessel or vessels sold by or lost to the Company may be released or separately discharged from the lien of this mortgage upon payment by the Company to the Trustee of the following release price for the following vessels, to wit:

<u>Vessel</u>	<u>Release Price</u>
<u>Steamship</u>	
Delta King	\$400,000.
Delta Queen	400,000.
Fort Sutter	125,000.
Capital City	125,000.
J. D. Peters	85,000.
T. C. Walker	85,000.
Reform	30,000.
Isleton	40,000.
Pride of the River	40,000.
Captain Weber	40,000.
Aurora	20,000.
Leader	25,000.
<u>Barge:</u>	
Onisbo	21,000.

and in the case of any after-acquired vessel subjected to the lien thereof, upon payment to the Trustee of the depreciated sound value thereof as determined by an appraiser selected by the Trustee, or (in the case of sale) the net sale price thereof, whichever is greater."

and in lieu thereof the following is substituted:

"(b) any vessel or vessels sold by or lost to the Company may be released or separately discharged from the lien of this mortgage upon payment by the Company to the Trustee of a release price approved by the Railroad Commission of the State of California and determined by the Company's Board of Directors by resolution of which a certified copy shall be delivered to the Trustee, and in case of any after-acquired vessel subjected to the lien hereof, upon the payment of the value thereof as so determined."

9. There is hereby added to Section 1 of Article V of the Indenture the following:

"The following is also defined hereby as an event of default:

In case default shall be made in the payment of the principal of any scrip certificate secured hereby, when the same shall become due and payable;"

10. There is stricken and eliminated from Section 2 of Article V the following:

"SECOND. In case the principal of the bonds secured hereby shall have become due by declaration or otherwise, first to the payment of the accrued interest, with interest at the rate of six per cent. (6%) per annum, on the overdue coupons in the order of their maturity, and then to the payment of the principal of all bonds secured hereby; such payments to be made ratably to the persons entitled thereto without discrimination or preference except as provided in Section 3 of Article II hereof in the case of coupons the time for payment of which has been extended."

and there is substituted therefor the following:

"SECOND. In case the principal of the bonds and the scrip certificates secured hereby shall have become due by declaration or otherwise, first to the payment of the accrued interest, with interest at the rate which the coupons then bear, on the overdue coupons in the order of their maturity, and then to the payment of the principal of all bonds and unpaid scrip certificates secured hereby; such payments to be made ratably to the persons entitled thereto without discrimination or preference ~~therein~~ except as provided in Section 3 of Article II hereof in the case of coupons the time for payment of which has been extended."

11. There is hereby added to Section 3 of Article V of the Indenture the following:

"If the trustee shall declare the principal of bonds to be due and payable, then all scrip certificates secured hereby shall at the same time become due and payable, and any rescission of declaration of the maturity of bonds shall include a rescission of the declaration of the maturity of scrip certificates."

12. There is hereby added to Section 6 of Article V the following:

"If and when the principal of bonds shall become due and payable as in this Section provided, then the principal of scrip certificates outstanding shall likewise become due and payable."

13. There is hereby added to Section 12 of Article V the

following:

"A purchaser shall be entitled to turn in or apply scrip certificates on the payment of such purchase price on the same basis to which such purchaser shall be entitled to turn in or apply bonds and/or matured and unpaid coupons thereon, and with like effect."

14. There is stricken and eliminated from Section 14 of Article V of the ~~Indenture~~ Indenture the following:

"SECOND: Any surplus then remaining to the payment of the whole amount owing and unpaid upon the principal and interest of the bonds secured hereby with interest on the overdue installments of interest at the rate of six per cent. (6%) per annum; and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid, then to the payment of such principal and interest ratably to the aggregate of such principal and accrued and unpaid interest, without preference or priority of principal over interest or of interest over principal or of any installments of interest over any other installments of interest, except as specified in Section 3 of Article II, in the case of coupons the time of payment of which has been extended."

and there is substituted therefor the following:

"SECOND. To the payment of the whole amount then owing and unpaid upon the principal and interest of the bonds outstanding and upon the principal of the scrip certificates outstanding with interest on the principal and on the overdue installments of interest and on the principal of the scrip certificates at the rate of interest which the then next maturing coupons appertaining to said bonds bear according to the terms thereof; and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid, then to the payment of such principal and interest ratably to the aggregate of such principal and accrued and unpaid interest, without preference or priority of principal over interest or of interest over principal or of any installments of interest over any other installments of interest, except as specified in Section 3 of Article II in the case of coupons the time of payment of which has been extended."

15. There is added to Section 15 of Article V the following:

"If and when the Company shall be obligated to pay the bonds it shall also be obligated to pay the scrip certificates outstanding, and if and when the Trustee shall be entitled to recover judgment for the

amount of the bonds outstanding it shall likewise be entitled to recover judgment for the amount of scrip certificates outstanding."

16. There is hereby added to Section 16 of Article V of the Indenture the following:

"Whenever the Trustee shall be entitled to recover a deficiency judgment for the unpaid amount of bonds, it shall likewise be entitled to recover a deficiency judgment for the unpaid amount of scrip certificates outstanding."

17. There is hereby added to Section 2 of Article VI of the Indenture the following:

"No holder of scrip certificates outstanding shall have the right to institute any action or proceeding unless holders of bonds and coupons shall have such right hereunder.

18. There is added to Section 2 of Article VIII of the Indenture the following:

"Payment or provision for the payment of all of the bonds and coupons shall be deemed for all purposes to include the payment of all scrip certificates outstanding."

II.....FORM OF ENDORSEMENT TO BE STAMPED ON BONDS.

Pursuant to the terms of an Agreement bearing date _____, 1935, between The California Transportation Company (hereinafter referred to as the "Company") and holders of the Company's First Mortgage Sinking Fund Six Per Cent. Gold Bonds dated March 1, 1927, (of which this bond is one), the maturity of this bond has been extended to March 1, 1950; all coupons originally appertaining to this bond for interest for the period March 1, 1933, to March 1, 1939, have been detached and cancelled; said detached coupons originally payable September 1, 1933, March 1, 1934, September 1, 1934 and March 1, 1935, have been funded into detachable scrip certificates payable to bearer in the principal amount of the aggregate principal amounts of said four coupons; new coupons have been annexed to this bond providing for payment of semiannual interest at the rate of three per cent. (3%) per annum for the period March 1, 1935 to March 1, 1938, at the rate of four per cent (4%) per annum, for the period March 1, 1938 to March 1, 1940, and at the rate of five per cent. (5%) per

annum for the period March 1, 1940 to March 1, 1950; the provision in this bond obligating the Company to pay federal or other income tax to the extent of two per cent (2%) has been eliminated; the redemption price of this bond in advance of the maturity thereof has been changed to the par value thereof and interest accrued thereon and the par value of the said detachable scrip certificate appertaining thereto; for the original provisions of the trust instrument securing this bond respectively as to sinking fund payments, releases of property from the lien of the indenture and insurance of property subject to the lien of the indenture other and different provisions have been substituted, for which provisions and all other matters in this endorsement hereinbefore provided reference is made to said Agreement bearing date _____ 1935, which said Agreement is on file in the office of The Anglo California National Bank of San Francisco at its main office in the City and County of San Francisco, State of California, to which agreement and all and singular the terms and conditions thereof the owner and holder of this bond for himself and his successors and assigns has assented and does hereby assent, and which said Agreement in all respects shall govern the rights of a holder hereof.