

## FINANCE DOCKET No. 3484.

## BONDS OF VALLEY RAILROAD.

---

*Submitted February 29, 1924. Decided March 15, 1924.*

---

1. Authority granted to the Valley Railroad Company to issue not exceeding \$443,000, principal amount, of first and refunding mortgage 5 per cent gold bonds, to be delivered to the Delaware, Lackawanna & Western Railroad Company, lessee, in refundment of certain obligations.
2. Authority granted to the Delaware, Lackawanna & Western Railroad Company to assume obligation and liability, as guarantor, in respect of said bonds.

*William S. Jenney* for applicants.

## REPORT OF THE COMMISSION.

DIVISION 4, COMMISSIONERS MEYER, EASTMAN, AND POTTER.

BY DIVISION 4:

The Valley Railroad Company, hereinafter called the Valley, and the Delaware, Lackawanna & Western Railroad Company, hereinafter called the Lackawanna, common carriers by railroad engaged in interstate commerce, have filed a joint application under section 20a of the interstate commerce act, in which the Valley asks authority to issue \$2,000,000 of first and refunding mortgage 5 per cent gold bonds, \$444,000 to be issued forthwith and \$1,556,000 to be placed in its treasury to provide for future capital requirements, and the Lackawanna asks authority to assume obligation and liability as guarantor, in respect of \$2,000,000 of such bonds. No objection to the granting of the application has been presented to us.

The Valley was incorporated under an act of the Legislature of New York passed April 2, 1850, for the purpose of constructing, maintaining, and operating a railroad from the Pennsylvania State line along the Susquehanna Valley in the county of Broome to Binghamton, N. Y. Shortly after incorporation and about April 15, 1869, its franchise and property were leased to the Lackawanna for the term of the lessor's corporate existence and any renewal or renewals thereof. By the terms of the lease the Lackawanna agreed to construct the railroad authorized by the corporate charter and the lessor agreed to issue the necessary securities to finance construction. The lease provides that the Valley shall, at the request of the

86 I. C. C.

Lackawanna, make, issue, and deliver to the lessee stock or bonds of the lessor for such amount and to such extent as may be required to raise the money necessary for construction, and the Lackawanna is obligated to pay the interest on such bonds and 8 per cent dividends on the stock.

Pursuant to the certificate of incorporation and the lease of April 15, 1869, a single-track railroad was constructed by the lessee in 1869 and 1870 along the route mentioned above. In 1881 and 1882 it was reconstructed as a double-track railroad. From the completion of the original construction to the present, the railroad has been operated solely by the lessee as part of its system, and constitutes its main line for a distance of 11.1 miles.

In compliance with the request of the Lackawanna, the Valley proposes to issue \$444,000 of first and refunding mortgage bonds, which will be secured by a mortgage to be made by the Valley to the Farmers Loan & Trust Company of New York, trustee. They will be dated as of the date of the issue or the date of the mortgage, will mature 50 years from date, will bear interest at the rate of 5 per cent per annum, payable semiannually, and will be delivered to the Lackawanna at par.

The capital stock of the Valley was originally \$500,000, consisting of 5,000 shares of the par value of \$100 per share, and on April 30, 1870, was increased to \$1,000,000 by unanimous vote of the stockholders. It now has outstanding \$750,000 of capital stock, consisting of 7,500 shares of the par value of \$100 each.

The Valley also has outstanding \$400,000 of first-mortgage 5 per cent bonds, which matured August 1, 1911, and were paid by the Lackawanna, which holds them as indebtedness of the Valley; a note for \$38,346.85, dated July 20, 1921, which matured June 20, 1922, given to the Lackawanna for advances made; and an open-account indebtedness to the Lackawanna for advances subsequent to July 20, 1921, amounting on December 31, 1923, to \$5,638.12, making a total indebtedness of \$443,984.97. Our authority, therefore, will limit the bonds to be issued forthwith to \$443,000.

The Lackawanna asks authority to guarantee both principal and interest of \$2,000,000 of the bonds, the entire amount which may be issued under the mortgage, and to indorse such guaranty on each bond substantially in the form set forth in the application. Our authority for such guaranty will not extend beyond the \$443,000 of bonds herein authorized to be issued.

We find that the proposed issue of \$443,000 of first and refunding mortgage bonds by the Valley and the proposed assumption of obligation and liability as guarantor in respect thereof by the Lackawanna

86 I. C. C.

wanna as aforesaid (a) are for lawful objects within their respective corporate purposes, and compatible with the public interest, which are necessary and appropriate for and consistent with the proper performance by them of service to the public as common carriers, and which will not impair their ability to perform that service, and (b) are reasonably necessary and appropriate for such purposes.

An appropriate order will be entered.

---

ORDER.

*Entered March 15, 1924.*

Investigation of the matters and things involved in this proceeding having been had, and said division having, on the date hereof, made and filed a report containing its findings of fact and conclusions thereon, which report is hereby referred to and made a part hereof:

*It is ordered,* That, for the purpose of refunding certain of its outstanding obligations and indebtedness, the Valley Railroad Company be, and it is hereby, authorized to issue not exceeding \$443,000, principal amount, of its first and refunding mortgage 5 per cent gold bonds under and pursuant to, and to be secured by, its first and refunding gold-bond mortgage to be dated as of the date of execution to the Farmers Loan & Trust Company of New York, trustee; said bonds to be dated as of the date of issue or the date of the mortgage, to mature 50 years from date, to bear interest at the rate of 5 per cent per annum, payable semiannually, and to be delivered at par to the Delaware, Lackawanna & Western Railroad Company.

*It is further ordered,* That the Delaware, Lackawanna & Western Railroad Company be, and it is hereby, authorized to assume obligation and liability, as guarantor, in respect of the payment of the principal and interest of not exceeding \$443,000, principal amount, of the Valley Railroad Company's first and refunding mortgage 5 per cent gold bonds, herein authorized, by indorsing upon each of said bonds its guaranty of the payment of such principal and interest in the form substantially as set forth in the application.

*It is further ordered,* That said bonds shall not be sold, pledged, repledged, or otherwise disposed of by the applicants, or either of them, unless and until so ordered by this commission.

*It is further ordered,* That within 10 days after the execution thereof the Valley Railroad Company shall file with this commission a verified copy of said mortgage in the form in which it was executed.

86 I. C. C.

*It is further ordered,* That the applicants shall report concerning the matters herein involved in conformity with the commission's order dated May 25, 1922, respecting applications filed under section 20a of the interstate commerce act.

*And it is further ordered,* That nothing herein shall be construed to imply any guaranty or obligation as to said bonds, or interest thereon, on the part of the United States.

86 I. C. C.