

FINANCE DOCKET NO. 9786
DELAWARE, LACKAWANNA & WESTERN RAILROAD
COMPANY PLEDGE OF BONDS

Submitted January 13, 1933. Decided January 16, 1933

Authority granted to pledge a total of \$1,843,000 of bonds with the Railroad Credit Corporation as collateral security for a note of \$1,000,000.

W. S. Jenney for applicant.

REPORT OF THE COMMISSION

DIVISION 4, COMMISSIONERS MEYER, EASTMAN, AND MAHAFFIE

BY DIVISION 4:

The Delaware, Lackawanna and Western Railroad Company on December 28, 1932, applied for authority to pledge with the Railroad Credit Corporation, as security for a note of \$1,000,000, a total of \$1,843,000 of bonds, consisting of the following: \$1,193,000 Oswego & Syracuse Railroad Company 5 per cent first and refunding mortgage gold bonds, series A, \$443,000 Valley Railroad Company 5 per cent first and refunding mortgage gold bonds, series A, and \$207,000 Greene Railroad Company 5 per cent first and refunding mortgage gold bonds, series A. No objection to the application has been offered.

Pursuant to our authorization the applicant has heretofore issued \$13,000,000 of promissory notes, for which it has pledged \$10,000,000 of Morris & Essex Railroad Company 4½ per cent construction-mortgage gold bonds, series C, and \$10,050,000 of New York, Lackawanna & Western Railway Company first and refunding mortgage 5 per cent gold bonds, series A, and in addition thereto has authority to issue \$1,000,000 of notes and to pledge \$3,589,000 of New York, Lackawanna & Western series-A bonds. See *Delaware, L. & W. R. Co. Notes*, 180 I. C. C. 434, and *Delaware, L. & W. R. Co. Notes*, 189 I. C. C. 107. The applicant proposes to issue the remaining \$1,000,000 of notes to evidence a loan for that amount negotiated from the Credit Corporation. And while it has available for pledge \$3,589,000 of New York, Lackawanna & Western series-A bonds above mentioned, it wishes to pledge as security for the loan, in lieu of such bonds, the \$1,843,000 of its lessors' bonds described in the first paragraph hereof, as it is of

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the opinion that the New York, Lackawanna & Western bonds unpledged should be held available to maintain the pledging ratio in the event of future depreciation in the market value of the bonds already pledged as security for the \$13,000,000 of notes.

All of the lessors' bonds as to which authority is here sought were issued and obligation and liability as guarantor in respect thereof will be assumed by the applicant pursuant to our authorization. *Bonds of Oswego & Syracuse R. R.*, 82 I. C. C. 297, *Bonds of Valley R. R.*, 86 I. C. C. 537, and *Bonds of Greene R. R.*, 86 I. C. C. 778. Descriptions of the bonds are contained in the orders entered in those proceedings, and the orders also provide that, except for delivery to the Delaware, Lackawanna & Western, the bonds therein authorized should not be disposed of by the applicants unless and until we so order.

We find that the pledge by The Delaware, Lackawanna and Western Railroad Company of \$1,193,000 of Oswego & Syracuse Railroad Company 5 per cent first and refunding mortgage gold bonds, series A, \$443,000 of Valley Railroad Company 5 per cent first and refunding mortgage gold bonds, series A, and \$207,000 of Greene Railroad Company 5 per cent first and refunding mortgage gold bonds, series A, with the Railroad Credit Corporation as collateral security for a note of \$1,000,000 evidencing a loan of that amount, as aforesaid, (a) is for a lawful object within its corporate purposes, and compatible with the public interest, which is necessary and appropriate for and consistent with the proper performance by it of service to the public as a common carrier, and which will not impair its ability to perform that service, and (b) is reasonably necessary and appropriate for such purpose.

An appropriate order will be entered.

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