

FINANCE DOCKET No. 10946

NEW YORK, ONTARIO & WESTERN RAILWAY COMPANY
ASSUMPTION OF OBLIGATION AND LIABILITY

Submitted January 28, 1936. Decided January 29, 1936

Order of October 11, 1935, amended so as to authorize the assumption of obligation and liability, as guarantor, in respect of the payment of the principal and interest of a promissory note in the face amount of \$750,000, issued by the Scranton Coal Company to the Reconstruction Finance Corporation. Previous report, 207 I. C. C. 724.

Elbert N. Oakes for applicant.

SUPPLEMENTAL REPORT OF THE COMMISSION

DIVISION 4, COMMISSIONERS MEYER, PORTER, AND MAHAFFIE

BY DIVISION 4:

Our order herein of October 11, 1935, 207 I. C. C. 724, authorized the New York, Ontario and Western Railway Company, the applicant herein, to assume obligation and liability, as guarantor, in respect of the payment of principal and interest of a proposed note in the face amount of \$650,000, to be issued by the Scranton Coal Company to evidence a loan of like amount by the Reconstruction Finance Corporation. The loan was to be made subject to certain conditions, among which were that the applicant should unconditionally guarantee punctual payment when due of interest at 5 percent per annum on the note evidencing the loan, and that the principal of the note should be reduced by the payment of a minimum amount of \$130,000 a year, including the final balance. The proceeds of the note were to be used to liquidate in part a tax liability of \$512,922.49 with accrued interest thereon of \$33,387.13, to reduce by \$50,000 pressing obligations to general creditors, to reduce matured first-mortgage obligations by \$300,000, and to provide working capital in the amount of \$160,000.

By a supplemental application filed on January 13, 1936, the applicant requests amendment of the order of October 11, 1935, *supra*, so as to authorize it to assume obligation and liability, as guarantor, in respect of the payment of principal and interest of a note in the face amount of \$750,000 issued by the coal company to evidence a loan of like amount by the Finance Corporation.

The Finance Corporation has already loaned the coal company \$650,000 of this amount, and has modified its original agreement

with that company so as to provide for minimum payments of \$150,000 a year on the principal of the note. The proceeds from the sale of the note will be used to pay delinquent real-estate taxes and interest and penalties thereon in the amount of \$240,000 on the property covered by the mortgage of the coal company, which is to be accepted by the Finance Corporation as security for the payment of the note, to reduce matured and unpaid indebtedness of the coal company in the amount of \$50,000, to pay \$300,000 of the principal of a first mortgage on the property of the coal company and to provide working capital in the amount of \$160,000.

The note for \$750,000 bears interest at the rate of 5 percent per annum and will mature five years after date. The obligation will be reduced by minimum payments of not less than \$150,000, annually, to be derived by setting aside 30 cents a ton on all coal mined as set forth in the original report. It is expected that at the present rate of production, the note would be repaid in a little more than three years. The guaranty of payment of the principal and interest of the note and of the annual minimum payments to be executed by the applicant will run directly to the Finance Corporation, its successors and assigns.

We find that the assumption of obligation and liability as guarantor, by the New York, Ontario and Western Railway Company in respect of the payment of the principal and interest of a note in the face amount of \$750,000 issued by the Scranton Coal Company, 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 supplemental order will be entered.

212 I. C. C.