

FINANCE DOCKET No. 10377

DELAWARE, LACKAWANNA & WESTERN RAILROAD
COMPANY EQUIPMENT-TRUST CERTIFICATES

Submitted March 31, 1936. Decided April 2, 1936

Authority granted to sell Delaware, Lackawanna & Western Railroad equipment-trust certificates of 1934, series A, in the principal amount of \$3,619,000 at 106.097, and series B in the principal amount of \$1,033,000 at 105.625, with accrued dividends in both cases. Previous reports, 199 I. C. C. 582 and 664, 207 I. C. C. 505, and 212 I. C. C. 256.

William S. Jenney and Douglas Swift for applicant.

FOURTH SUPPLEMENTAL REPORT OF THE COMMISSION

DIVISION 4, COMMISSIONERS MEYER, PORTER, AND MAHAFFIE

BY DIVISION 4:

By our orders, as supplemented, entered on various dates in the above-entitled proceeding, 199 I. C. C. 582 and 664, 207 I. C. C. 505, and 212 I. C. C. 256, The Delaware, Lackawanna and Western Railroad Company, the applicant herein, was authorized to assume obligation and liability with respect to \$3,619,000 of series-A and \$1,033,000 of series-B equipment-trust certificates in connection with financing the acquisition and reconstruction of certain equipment. These certificates bear dividends at the rate of 4 percent. The series-A certificates mature in semiannual installments of \$134,000 from October 1, 1936, to April 1, 1949, inclusive, with a final payment of \$135,000 on October 1, 1949. The series-B certificates mature in semiannual installments of \$61,000 from December 1, 1936, to June 1, 1944, inclusive, with a final payment of \$57,000 on December 1, 1944. The certificates and equipment have been described in the reports filed with and made a part of our previous orders. The certificates were sold to the Government, represented by the Federal Emergency Administrator of Public Works, at par and have since been acquired by the Reconstruction Finance Corporation. The respective orders entered in connection with the authorization of these certificates contain a provision to the effect that except as therein authorized such certificates should not be sold, pledged, repledged, or otherwise disposed of by the applicant, unless or until so ordered by the Commission.

By a supplemental application filed on March 12, 1936, the applicant requests authority to purchase both series of certificates 212 I. C. C.

from the Reconstruction Finance Corporation at 104, equivalent to par plus interest for one year, a price which the latter has agreed to accept, and to dispose of them at the best price obtainable through competitive bidding, but at not less than 105. The inhibition contained in our orders heretofore mentioned pertaining to the sale or disposition of certificates has no application with respect to their purchase. The findings hereinafter made will be confined to the applicant's proposal to sell such certificates

The purpose of the authority requested is to enable the applicant, through the purchase and sale of these certificates, to reduce the interest charges on the equipment-trust loan by the amount of the difference realized between the purchase price and the sale price of the certificates.

The certificates were offered for sale through competitive bidding in accordance with the procedure prescribed in *Regulations Relative to Bids of Carriers*, 56 I. C. C. 847. Two bids were received for the series-A certificates, the highest, 106,097 and accrued dividends, being made by Brown, Harriman & Company, and one bid was received for the series-B certificates, it being 105.625 and accrued dividends, and was made by the Marine Midland Trust Company. These bids have been accepted, subject to our approval. It appears that the applicant will realize a profit of nearly \$93,000 from this transaction.

We find that the proposed sale by The Delaware, Lackawanna and Western Railroad Company of \$3,619,000 of Delaware, Lackawanna & Western Railroad equipment-trust certificates of 1934, series A, and \$1,033,000 of such certificates, series B, 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.