

DISTRICT COURT OF THE UNITED STATES SOUTHERN
DISTRICT OF NEW YORK.

In Equity No. 11—129.

THE UNITED STATES OF AMERICA, PETITIONER,

VS.

LEHIGH VALLEY RAILROAD COMPANY AND THE LEHIGH
VALLEY COAL COMPANY, ET AL., DEFENDANTS.

SUPPLEMENTARY DECREE.

Upon consideration of the petition of LEHIGH VALLEY RAILROAD COMPANY and THE LEHIGH VALLEY COAL COMPANY, made this day for an order modifying the Final Decree signed November 7, 1923, the United States having appeared by the Assistant to the Attorney General, John Lord O'Brian, Esq., and not objecting, this Court being fully advised in the premises, it is ordered, adjudged and decreed:

That the Final Decree herein signed November 7, 1923, be and the same hereby is modified and supplemented in all respects as may be necessary to authorize and permit the following:

1. The Lehigh Valley Railroad Company and The Lehigh Valley Coal Company are hereby authorized and

permitted to adopt, put into effect and carry out, in whole or in part, and with such modifications as they deem desirable, a plan for the payment and refunding of the mortgage bonds of The Lehigh Valley Coal Company maturing January 1, 1933, which bonds are guaranteed as to payment of principal and interest by the Lehigh Valley Railroad Company, as set forth in the plan hereto attached and made a part hereof marked Exhibit "A".

2. The Lehigh Valley Railroad Company is hereby authorized and permitted to guarantee the payment of the principal, sinking fund and interest of the approximately \$6,350,000 principal amount of 5-Year Secured 6% Gold Notes of The Lehigh Valley Coal Company maturing January 1, 1938, provided for in said plan.

3. The Lehigh Valley Railroad Company is hereby authorized and permitted to loan to The Lehigh Valley Coal Company the sum of \$2,000,000., and to receive from The Lehigh Valley Coal Company as security for the payment thereof approximately \$2,000,000. principal amount of the above mentioned 5-Year Secured 6% Gold Notes, which approximately \$2,000,000. principal amount of said notes is to be pledged by the Railroad Company with the Reconstruction Finance Corporation as part security for a loan from the Reconstruction Finance Corporation to the Railroad Company of \$2,000,000.

4. The proper officers of the Lehigh Valley Railroad Company are hereby authorized and permitted to execute in such manner as they may determine any and all papers and documents deemed by them to be necessary or advisable to adopt, put into effect and carry out the terms and intent of the aforesaid plan with any modifications as aforesaid; and, specifically, the proper officers of the Lehigh Valley Railroad Company are hereby authorized and permitted to execute in such manner as they may determine the Railroad Company's guaranty of the payment of principal, sinking fund and interest of the aforesaid 5-Year Secured 6% Gold Notes, and the proper officers of the Lehigh Valley Coal Company are hereby

authorized and permitted to deliver to the proper officers of the Lehigh Valley Railroad Company and the latter are hereby authorized and permitted to receive approximately \$2,000,000. principal amount of said 5-Year Secured 6% Gold Notes as security for the payment of a loan of \$2,000,000. to be made by the Lehigh Valley Railroad Company to The Lehigh Valley Coal Company.

Per Curiam:

FRANK J. COLEMAN,
United States District Judge.

Dated: November 28, 1932.

EXHIBIT "A".

PLAN OF EXCHANGE.

THE LEHIGH VALLEY COAL COMPANY

FIRST MORTGAGE BONDS, DUE JANUARY 1, 1933:

The Lehigh Valley Coal Company has outstanding \$8,684,000. First Mortgage Bonds, due January 1, 1933; \$911,000. of these bear 4% coupons and \$7,773,000. bear 5% coupons. The Company anticipates that it will have no cash available for the payment of these maturing bonds, except for cash and securities in the Sinking Fund for them which it is calculated will produce about \$2,275,000. at their maturity date.

The Coal Company's First Mortgage Bonds are guaranteed principal and interest by endorsement by Lehigh Valley Railroad Company, which also anticipates that it will be without funds available to pay the bonds at maturity, but upon substantially unanimous consent of First Mortgage bondholders to a Plan of Exchange as outlined below, the Railroad Company is prepared to and will make application to the Interstate Commerce Commission and the U. S. District Court for the Southern District of New York for authority to guarantee by endorsement, as to principal, interest and annual minimum fund payment, Notes of the Coal Company to be issued in exchange for the First Mortgage Bonds, under the proposed Plan.

In furtherance of the refinancing of a portion of the

Coal Company's Bonds, guaranteed by the Lehigh Valley Railroad Company, the latter has made application to the Reconstruction Finance Corporation for a loan of \$2,000,000., for the purpose of enabling an offer to be made to holders of the Coal Company's First Mortgage Bonds, which offer, it is believed, will have a reasonable prospect of being accepted by them, and which will be substantially as follows:

(a) - There will be distributed to said bondholders in cash their pro rata proportion of the proceeds of the Sinking Fund for the First Mortgage Bonds, which it is calculated will amount to approximately \$2,275,000. or over \$260. per \$1,000. bond.

(b) - The Lehigh Valley Railroad Company, pursuant to its guarantee, will furnish \$2,000,000. being the proceeds of the loan above mentioned, leaving a small balance to be taken care of by the Railroad Company or the Coal Company from available funds, thus providing for a further payment of approximately \$240. per \$1,000. bond.

(c) - In exchange for the remaining \$500. per \$1,000. bond, the Coal Company will deliver an equal principal amount of its 5-Year Secured 6% Gold Notes, due January 1, 1938, certain terms of which are set forth below:

Certain Terms of Secured Gold Notes:

The Notes will be issued under a Trust Indenture which will provide for the issuance of approximately \$6,350,000. principal amount of Notes. Of these \$4,342,000. are to be delivered to holders of maturing bonds of the Coal Company as set forth in (c) above, and approximately \$2,000,000. principal amount are to be delivered to Lehigh Valley Railroad Company against payment by it of cash aggregating \$2,000,000., as set forth in (b) above, for the account of holders of maturing bonds of the Coal Company.

The Notes will be direct obligations of the Coal Company and will be secured by pledge of First and Refunding Mortgage Bonds of the Company, 6% Series of 1932, in an

equivalent principal amount; as additional security the Notes will be secured by pledge of various properties of the Coal Company now unencumbered, which have an assessed valuation for purposes of local taxation of more than \$3,000,000.

The First and Refunding Mortgage Bonds pledged as collateral for the notes, together with \$15,000,000. First and Refunding Mortgage Bonds, 5% Series of 1924, previously issued (of which about \$3,000,000. are held alive in the Sinking Fund under that Mortgage) will be secured, upon completion of this exchange, by first mortgage on all of the Company's fixed mortgageable property, except the now unencumbered property above mentioned.

The Trust Indenture for the Notes will contain a covenant for a minimum payment of \$250,000. annually, to be applied to the purchase or redemption and cancellation of Notes at not exceeding their principal amount with accrued interest. Funds for such payments will be derived from moneys received by the Trustee for the Notes, from the sale to the Sinking Fund for the 6% Series of 1932 of First and Refunding Mortgage Bonds held as collateral. Annual Sinking Fund payments will be provided for Bonds of the 6% Series of 1932 equivalent to 5c per gross ton of anthracite of all sizes mined from lands owned, operated or leased by the Company and sold or commercially used, (excluding anthracite used in operation of the properties) with minimum payments of \$250,000. annually. Such payments are to be used for the purchase or redemption of Bonds of said series and an amount equivalent to interest on Bonds acquired by the Sinking Fund is to be added thereto. This will augment the \$250,000. annual minimum payment to be used for the Sinking Fund purchase of Bonds held as collateral for the Notes, with the result that the retirement of the Notes will be accelerated.

The five year secured Notes are to be guaranteed by endorsement by Lehigh Valley Railroad Company as to principal and interest and annual payments of \$250,000. minimum.

Holders of the Coal Company's maturing First Mortgage Bonds will be asked forthwith, upon approval by Reconstruction Finance Corporation of the above mentioned loan of \$2,000,000. to Lehigh Valley Railroad Company, to indicate their acceptance of the above offer by depositing their bonds with Depositaries to be selected by the Coal Company and the Railroad Company.

The Plan of Exchange will not be declared operative unless the consent of substantially all the outstanding bonds is obtained thereto, and the Lehigh Valley Coal Company and the Lehigh Valley Railroad Company, jointly and severally reserve the right to determine whether sufficient First Mortgage Bonds have been deposited in order to justify them in declaring the Plan of Exchange operative.