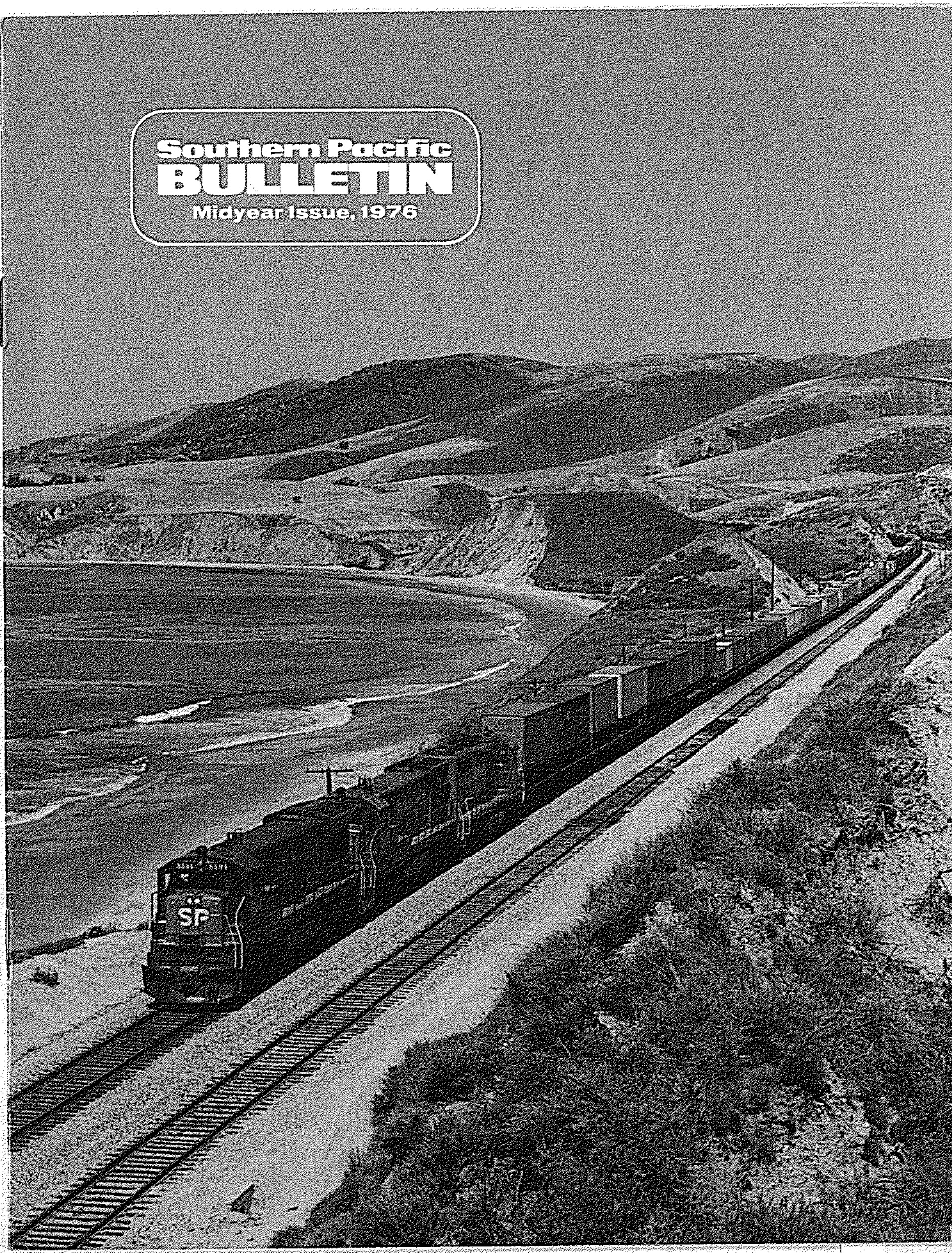
Southern Pacific BULLETIN

Midyear Issue, 1976



Top Management Changes

Biaggini Elected Chairman; McNear Becomes President of Transportation Company; Eight Others Move Up

Benjamin F. Biaggini was elected Chairman of Southern Pacific Company and Southern Pacific Transportation Company by the Boards of Directors of the two companies on May 19 in New York.

Mr. Biaggini continues as President and Chief Executive Officer of the holding company and as Chief Executive Officer of the transportation company.

Denman K. McNear, who has been Vice President-Operations for the transportation company, was elected President of that company.

Mr. Biaggini, who has been President since 1964 and was given the additional title of Chief Executive Officer four years later, joined SP's Engineering Department in Texas in 1936, shortly after his graduation from St. Mary's University at San Antonio. He became Vice President at Houston in 1955, moved to the Executive Department in San Francisco in 1956 and was elected Executive Vice President and a Director in 1963.

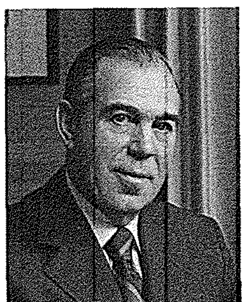
Mr. McNear, who is 50, came to SP after earning a civil engineering degree at Massachusetts Institute of Technology, and worked summers until he received an MBA from the Stanford Graduate School of Business in 1950. Subsequently, he worked on engineering, construction and operating assignments in California, Oregon, Texas and New Mexico. He was named Assistant to the President in 1963, Vice President in the Executive Department in 1967 and Vice President-Operations last year.

The Directors also elected eight other officers to positions of greater responsibility with the two firms.

Alan C. Furth was named Executive Vice President-Law for both Southern Pacific Company and SP Transportation Company. Mr. Furth, 53, joined SP in 1950 after earning his law degree at the University of California's Boalt Hall. He worked up in legal assignments to the post of General Counsel in 1963. He has been Vice President and General Counsel since 1966 and was elected a Director in 1972.

Robert J. McLean, who has been Vice President and Treasurer since 1968, moved up to Executive Vice President-Finance for both SP and SPT. He started work for SP's Law Department in New York in 1947, after earning his degree at Columbia Law School, and in 1959 moved to San Francisco as General Attorney with responsibility in the field of corporate finance. Mr. McLean, who is 56, became Asst. Vice President and Asst. Treasurer in 1962.

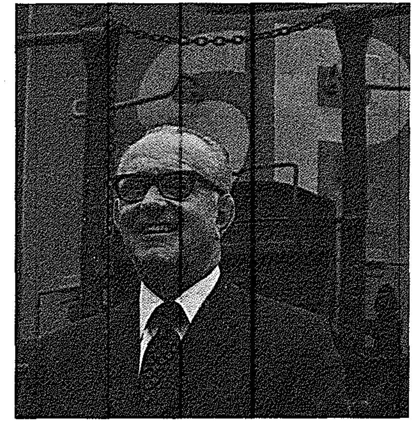

Alan C. Furth

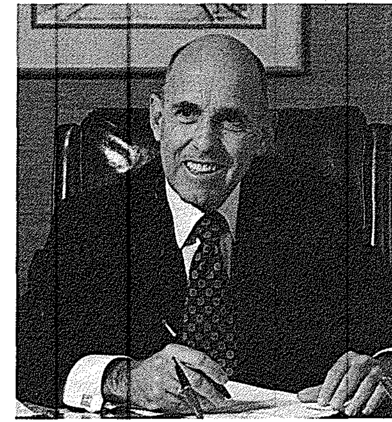

Franklin E. Kriebel


Robert J. McLean

Southern Pacific Bulletin • Special Midyear Issue, 1976 Vol. 60, No. 3

Published for active and retired employes by the Public Relations Department, Southern Pacific Building, One Market Plaza, San Francisco, CA. 94105. This special issue, containing the summary report of our Company's Annual Meeting (pages 7-11), is again being sent to our stockholders with the hope that its content will be of interest to all readers. **THE COVER:** SP's OALAT, carrying intermodal trailers and other "hotshot" freight from Oakland to Los Angeles, on the California coast just north of Santa Barbara.


Benjamin F. Biaggini


Denman K. McNear

Franklin E. Kriebel was elected Executive Vice President-Traffic for Southern Pacific Transportation Company. He had been Vice President-Traffic since 1966. His career with SP began in Cleveland in 1946 and included Traffic Department assignments in New York, Chicago and San Francisco. Now 56, Mr. Kriebel was made Assistant Vice President in 1963.

Donal L. Praeger was named Vice President and Controller of both SP and SPT. A certified public accountant who joined SP in 1964, he has been Controller since 1974. He is 45.

Robert L. King was promoted to Vice President and General Manager of the transportation company from his previous post as General Manager, succeeding Mr. McNear as chief of the railroad's Operating Department. Now 51, he began his railroad career in El Paso in 1944 and worked on operating assignments in six western states until he was appointed Western Division Superintendent in 1965. He became General Manager four years later.

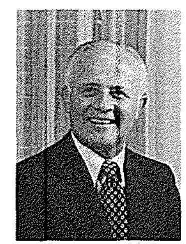
Robert C. Hudson, 51, was named Vice President-Sales for the transportation company. He began work for SP in Chicago in 1943, transferred to San Francisco in 1954, and rose to become Assistant Vice President-Traffic, with primary responsibility for the railroad's freight rates and divisions, in 1973.

Herbert A. Waterman succeeds Mr. Furth as General Counsel for both companies. Another graduate of the University of California and its School of Law, Mr. Waterman, 58, came to SP in 1951 after a period of private practice, became Senior General Attorney in 1966 and General Solicitor last year.

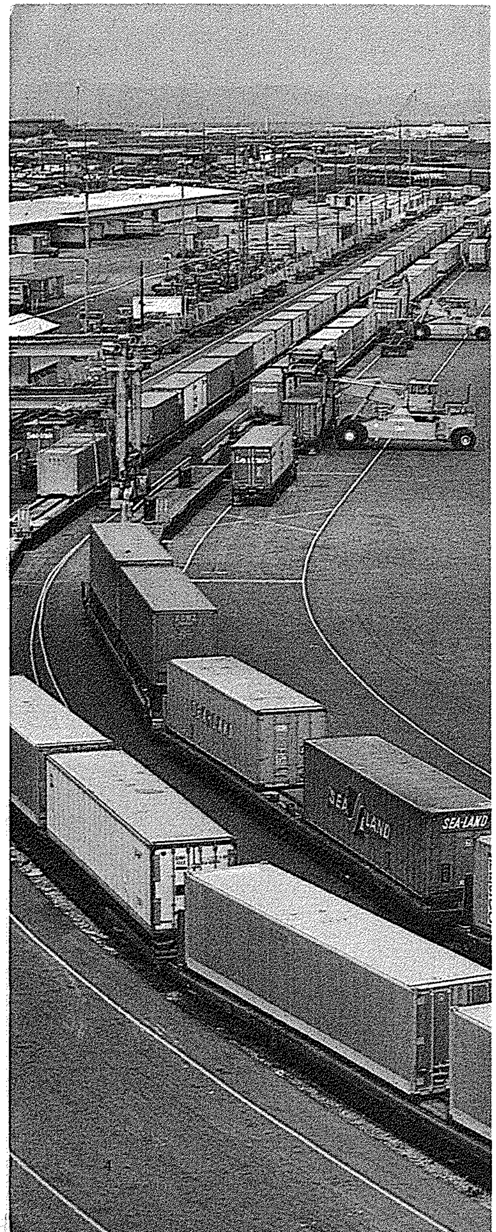
Bruce G. McPhee, 41, Assistant Vice President, also became Treasurer, succeeding Mr. McLean. He had been Assistant Vice President and Assistant Treasurer since 1972.


Herbert A. Waterman


Robert L. King


Robert C. Hudson


Donal L. Praeger



FREIGHT TRAFFIC SHOWS GOOD GAINS

New schedules, rates, services bring more freight to SP system

BUSINESS IS better on the railroad. The recovery of the economy from the 1975 recession seems steady and promising for the coming months, and Southern Pacific's traffic volume and revenues are increasing.

In the first five months of 1976, loadings on our lines have improved 19% for lumber and plywood, 20% for paper and paper products, 12% for chemicals and acids.

SP handled 35% more carloads of new automobiles and auto parts in that period than it did a year ago, as sales are running ahead of the most optimistic earlier forecasts and now are estimated at 10½ million cars and 3 million trucks in the U.S. this year. That would make 1976 the second best year in auto industry history.

Originations on Southern Pacific of intermodal traffic —highway trailers and steamship containers carried "piggyback" on railroad flatcars—are running at a record pace, 30% ahead of last year. SP's "mini-bridge" container service, in which the railroad provides the overland link for ocean routes, shows an increase of 93%.

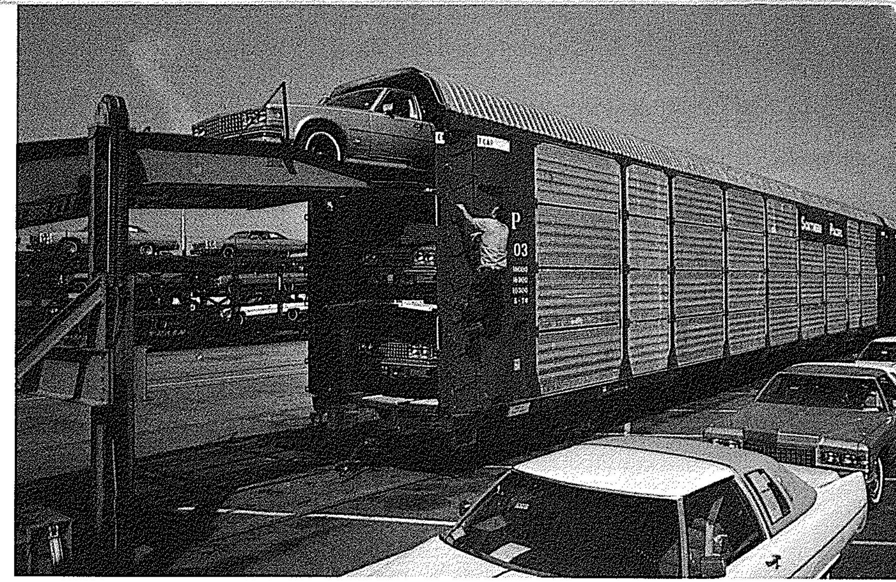
But the improved economy is not the only factor of present business growth. New business is being developed on the SP system, such as substantial coal and wheat traffic on new routes. Most important, SP people are devising new schedules, rates and services to attract customers, to move trains more efficiently, and to improve the load factors of expensive equipment and facilities. This all helps bring economies of scale to work for the railroad.

In piggyback traffic—domestic intermodal—for example, we tend to get more westbound loads than eastbound. So to build up revenue traffic, SP has offered lower rates for all kinds of freight moving under two-trailer rates (Plan IV) from the West Coast to Memphis, New Orleans and Texas points. Similar low rates are being offered this summer for less-than-truckload traffic from Northern California to Utah and Colorado. In this service, Pacific Motor Trucking, SP's highway subsidiary, will pick up and consolidate smaller shipments into trailers which might otherwise move east empty.

Here are samples of how we're developing other traffic:

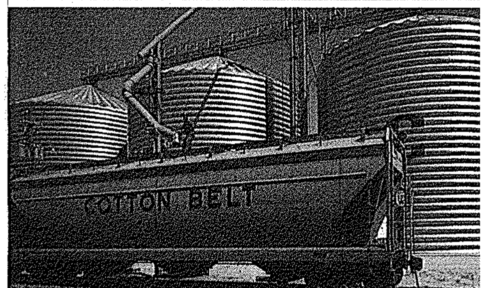
"The Salad Bowl Express" is the nickname being used by fresh vegetable shippers in California's Salinas Valley for an experimental train schedule Southern Pacific introduced May 12. Six days a week, solid trains of "king size" mechanical refrigerator cars are cutting a full day off delivery times for perishable produce going to key Midwestern and Eastern markets such as Chicago, New York, Philadelphia and Baltimore. Good performance from the outset—28 of the first 30 trains left Watsonville ahead of deadline—has made the service popular with shippers and an asset for SP sales people in the competitive battle with truckers for perishable business. It also led to the start-up May 28 of a similar schedule used by San Joaquin Valley growers of fruits and vegetables. Coming up the Valley from Bakersfield, that train may be combined with the Salinas train at Roseville, but on most days the traffic is heavy and we run three sections of more than 70 cars each. If the expedited schedules can be matched on return trips and turn-around time decreased, it could mean the equivalent of 15 to 20,000 extra car trips per year with the present equipment.

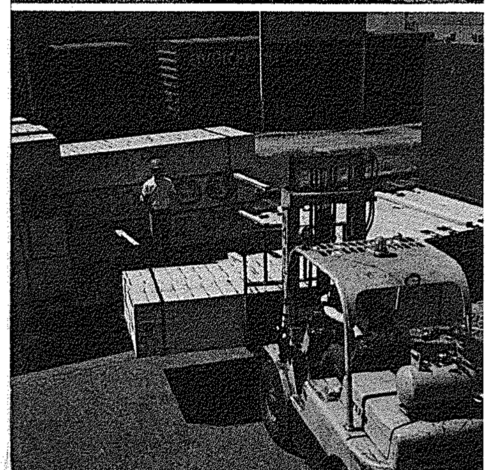
Two giant "piggypackers" and a straddle crane speed loading of containers at SP's intermodal facility at Oakland, Calif. (left). Containers are part of a big "mini-bridge" shipment, just off a ship from the Far East and destined for fast rail delivery to Gulf and Atlantic ports.



New Cadillacs, fresh from Detroit, are unloaded from the first of Southern Pacific's 600 new enclosed tri-level cars at Los Nietos, near Los Angeles. The new tri-levels—which with 180 others being modified for enclosed service will cost more than $38 million—will help protect the autos from rock-throwing kids or other hazards en route. The end doors of these new cars (at right) open like clamshells.

Faster schedules for forest products moving from Oregon or Washington to primary markets in Southern California also are being provided on the PTCIY, a new expedited train running from Portland to SP's freight classification yard at City of Industry, just east of Los Angeles. A similar new schedule from Eugene to Houston has also been initiated. "Pre-blocked" to avoid delays for intermediate switching, they offer highly competitive and reliable schedules of particular interest to shippers of the paper products you find on supermarket shelves. who





are now avoiding the extra handling cost of warehousing by shipping directly to grocery chain customers, relying on current inventory reports and timely transportation.

Incentive loading rates that reward lumber shippers who load freight cars substantially above minimum weights, introduced by SP last Fall on traffic between the Pacific Northwest and Southern California or Arizona, have attracted more business as homebuilding has picked up in 1976 (see back cover). SP field people work with customers to develop ways to utilize the cubic and weight capacity of cars and move more in fewer cars.

Turkey feed is moving in higher volume on SP because our pricing specialists developed more competitive tariffs for bulk movements of soybean meal from the Midwestern plains states to turkey producers in the San Joaquin Valley and other parts of California and the Southwest. That may not sound like such a big item, but about 16 million turkeys are raised in California alone each year and the business generated under the new prices is measured in thousands of carloads.

Coil steel began moving on a volume-basis (about 90,000 tons of steel this year) from a Midwest mill to Texas, where it is made into tubular products. Availability of SP's 100-ton-capacity coil steel cars—designed for fast, efficient loading and maximum payloads of the heavy coils—made the movement possible.

More export wheat movements are now originating on the SP System. Southern Pacific has not been traditionally considered a major grain hauler to compare with so-called "granger roads" in the Midwest, but that may be beginning to change. Farmers in Arizona, Southern California and West Texas, taking advantage of good export grain markets, are planting large acreages in hard durum wheat. In Arizona alone, they've planted 400,000 acres in wheat this year. We'll handle several thousand carloads to ports on both the Pacific and Gulf Coasts.

Construction of new plants brings immediate business, too. Building began in May of the $2.2 billion Palo Verde Nuclear Generating Station about 40 miles west of Phoenix. Early orders for building materials SP will help deliver include 63,000 tons of structural steel and reinforcement bars, 137,000 tons of cement and 825,000 tons of rock, sand and gravel.

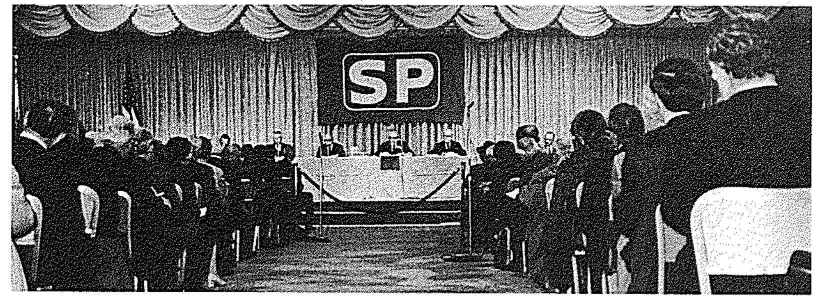
Coal unit trains will begin running next October, to help produce electricity for San Antonio. A fleet of seven unit trains, each 110 cars long, will be put into service in a joint Southern Pacific-Burlington Northern operation which will carry coal 1,600 miles from mines in Wyoming to an electric generating plant near San Antonio. Each train will make one round trip a week.

Top left: Heavy paper products business includes these rolls of cardboard destined for overseas markets at Tokyo and Antwerp, being loaded in SP Hydra-Cushion box cars at an Oregon plant.

Middle left: A 100-ton Cotton Belt jumbo covered hopper car is loaded with wheat at Litchfield Junction, Ariz., west of Phoenix. Big new wheat plantings in the Southwest are boosting SP export traffic to Gulf and Pacific ports.

Bottom left: More lumber is being loaded on SP, like this in Eugene, Ore., as the economy improves.

Summary of the Annual Meeting of Stockholders



To the Stockholders of Southern Pacific Company

The Annual Meeting of Stockholders was held on Wednesday, May 19, 1976, at 4 East 61st Street, New York City, New York. Mr. B. F. Biaggini, Chairman and President of the Company, presided.

There were 22,816,563 shares of the Company's capital stock, 85.7% of the total outstanding, represented by proxy or in person at the meeting. The Directors and Management thank the large number of stockholders who sent in their proxies. Since 1970 more than 85% of the outstanding shares of stock have been represented at each annual meeting.

Election of Directors

The following nominees were elected to serve as Directors of the Company until the next Annual Meeting of Stockholders:

Stephen D. Bechtel, Jr.	Richard K. Miller
B. F. Biaggini	Michael A. Morphy
Thomas M. Evans	Henry T. Mudd
Alan C. Furth	George B. Munroe
Ellison L. Hazard	Richard S. Perkins
Kenneth L. Isaacs	William Swindells
Edmund W. Littlefield	

Management Proposal

Management introduced the resolution set forth in the Proxy Statement to ratify and approve the action of the Board of Directors in employing Haskins & Sells as independent public accountants to audit the books, records and accounts of the Company and its subsidiaries for 1976. The resolution was adopted, 22,538,672 shares voting "FOR" and 265,815 shares (held by 1,395 stockholders) voting "AGAINST".

Stockholder Proposal

The following resolution was introduced by Mr. Lewis D. Gilbert, and seconded by Mr. Harry N. Cohen:

> "RESOLVED: That the stockholders of Southern Pacific Company, assembled in annual meeting in person and by proxy, hereby request the Board of Directors to take the steps necessary to provide for the restoration of cumulative voting in the election of directors, which means each stockholder shall be entitled to as many votes as shall equal the number of shares he owns multiplied by the number of directors to be elected, and he may cast all of

Stockholders Mary Boiko of Astoria, N.Y. (left) and Wilma Stewart of West New York, N.J. inspected a photo display.

Members of Southern Pacific's Board of Directors observing the Annual Meeting proceedings included (from left) William Swindells, Richard S. Perkins, George B. Munroe, Henry T. Mudd, Michael A. Morphy, Kenneth L. Isaacs, Ellison L. Hazard, Thomas M. Evans and Stephen D. Bechtel, Jr. Twelve members of the Board attended the meeting.

such votes for a single candidate, or any two or more of them, as he may see fit."

The resolution failed to carry as 20,421,173 shares voted "AGAINST" and 1,479,921 shares (held by 6,613 stockholders and representing 6.76% of the votes cast) voted "FOR" the resolution.

No other matters were presented for action at the meeting.

Analysts' Award Presentation

During the meeting, Mr. Arthur Jansen, representing the Financial Analysts Federation, presented the Federation's award for excellence in corporate reporting for 1975 to Southern Pacific Company. This was the sixth consecutive year that Southern Pacific had won the award, Mr. Jansen noted. The award is based on the effectiveness of total financial reporting and includes evaluation of annual and quarterly reports to stockholders, reports to the Securities and Exchange Commission, accounting practices and relations with the investment community.

Messrs. Gilbert and Alvin P. Toffel also complimented the Company on the excellence of its corporate reporting.

Management Comments

Southern Pacific should have one of its good years for business and earnings in 1976, helped by "the unspectacular, but steady and promising, recovery in the national economy," Mr. Biaggini told the stockholders. Railroad, trucking, pipeline and land management subsidiaries all are achieving better operating results so far this year.

Mr. Biaggini declared that while Southern Pacific's traffic uptrend is continuing (as detailed in the article beginning on page 4), "we still must cope with rising costs of labor, equipment and materials, even though these increases hopefully will not be on the double-digit inflation pace of 1975.

"We see our present task as reshaping transportation services so they are more efficient, leaner and more attractive to shippers. At the same time, we are maintaining our cost control programs that proved effective during last year's belt tightening."

Southern Pacific expects to hold its 1976 capital spending well below the $222 million program in 1975, Mr. Biaggini reported, but the $1.4 billion invested in improvements during the first six years of the 1970's decade — which included 28,000 new railroad freight cars and 686 new diesel locomotives — places the Company in "good shape to handle improving levels of business."

Mr. Biaggini said the Railroad Revitalization and Regulatory Reform Act passed by Congress this year has produced mixed blessings so far. "The smooth turnover of service last month from the Penn Central and other bankrupt Northeast carriers to ConRail encouraged all of us in the industry," he said.

"The discouraging part is how the Interstate Commerce Commission is attempting to implement other parts of the Act. Congress clearly intended to give the railroads greater flexibility in ratemaking, and to revise other restrictive regulations, so there would be greater

reliance on market forces and competition in transportation."

Instead, Mr. Biaggini pointed out, "the ICC has now taken a backward step; it has proposed rules which, if allowed to stand, would make the railroads subject to even greater bureaucratic regulation under the new law than before — and that is saying plenty."

At issue are procedures the Commission has suggested for determining "market dominance" by railroads. Congress specified that the railroads would be free from ICC regulation to increase rates except in areas where there is "an absence of effective competition from other carriers or other modes of transportation." Other government agencies, including the Federal Trade Commission, Department of Justice, and Department of Transportation, have challenged the impropriety of the ICC approach.

"It all shows how hard it is to get the deadening hand of over-regulation to relax its grip a little bit," Mr. Biaggini commented, "and why it is taking years to achieve a fair and logical transportation policy in this country, which is so essential if American railroads are to perform as efficiently and economically as they are capable of doing."

Mr. Biaggini added that Southern Pacific stockholders also have a stake in a current fight to protect free, fair and honest competition in the telecommunication industry, because of the subsidiary Southern Pacific Communications Company. A specialized common carrier offering service to private-line customers over a coast-to-coast microwave network stretching across 17 states and serving 45 metropolitan areas, SPC has more than 650 customers, representing over 6,800 private line channels, and is rapidly cutting in new customers and expanding circuits for existing ones.

"But now bills have been introduced in Congress, pushed by a major lobbying campaign of the Bell system, which would simply eliminate competition in telecommunications," Mr. Biaggini declared. "They would affirm the idea of a telephone company monopoly and force Southern Pacific Communications and other specialized common carriers out of business. This is a serious threat on which we seek your support. We are confident that as the issues are discussed and understood — and I am sure the public will see and hear more about this in coming months — the good reasons for competition in telecommunications will prevail. More competition will lead to service improvements, lower prices and technical innovations — and there is no way, let me assure you, that the giant Bell system will lose enough revenue to offset its enormous annual business growth and create adverse effects on your home telephone bills."

Stockholder Lewis D. Gilbert of New York City made a point as he led off the shareowner questions to management.

Arthur Jansen (right) of the Financial Analysts Federation presented the group's 1975 award for excellence in corporate reporting to Southern Pacific at the Annual Meeting. Chairman Biaggini accepted on behalf of the Company.

Stockholders' Questions

A summary of questions and answers which seemed to be of general interest to all stockholders follows:

Mr. Gilbert asked about the number of Directors' meetings, the attendance of Directors, and the fees of Directors. Mr. Biaggini replied that 10 meetings of the Board are held every year and that the attendance of Directors continued to be high. In addition, the Executive Committee of the Board of Directors meets once a month and twice in each of the two months when the Board does not convene. The fees of Directors for 1975 were $166,500, as noted in the proxy statement. No fees

Stockholders Alvin P. Toffel (left) of Marina del Rey, Calif., and James W. Jones of Baltimore addressed the meeting.

are paid to Directors who are also officers of the Company.

Mr. Gilbert inquired about amendments to the Company's by-laws since the last stockholder's meeting. Mr. Biaggini said the by-laws had been revised to provide a management structure more relevant to other holding and transportation companies, to expand the authority of the Chief Executive Officer to facilitate day-to-day operations of the Company, and to conform to changes in Delaware law.

Mr. Gilbert also asked whether the Company or any of its subsidiaries had made any illegal or other sensitive payments, such as those which had recently received publicity. Mr. Biaggini stated that he knew of none that had been made, and he assured the stockholders that the Company would continue its stringent policy of precluding any opportunity for such payments.

Mr. Gilbert, on behalf of another stockholder, referred to the recently announced studies that could lead to an affiliation between the Southern Railway and Missouri Pacific Railroad and asked for Southern Pacific's reaction. Mr. Biaggini said that the Secretary of Transportation has been encouraging the railroad industry to rationalize itself into a few strong companies, and therefore other studies of possible railroad combinations probably will be forthcoming. He said that Southern Pacific will keep abreast of any such studies or discussions within the railroad industry.

Mr. James W. Jones inquired as to plans to protect our railroad subsidiaries against adverse effects of another oil embargo, in view of the importance of diesel fuel in rail operations. Mr. Biaggini said there was about 26 to 30 days' supply of fuel oil in storage tanks the railroads had constructed throughout operating territories. It would not be prudent management to incur the expense of carrying a larger inventory, he added, since in the event of another embargo, the importance of railroads to the nation's economy would undoubtedly give them a high priority in government fuel allocations.

Mr. Jones then asked Haskins & Sells, the Company's independent auditors, to comment on the item of materials and supplies, and in particular the inventory of fuel oil, in current assets on the balance sheet and on the item of other assets and deferred charges. Mr. G. R. West, a partner of the firm, stated that audit tests of materials and supplies had been made at various locations, which included verification of the contents of fuel tanks to confirm that the amount of fuel shown as inventory in the accounts was actually on hand. He also explained that the principal items in other assets and deferred charges were the value of retired equipment held for sale; long-range receivables being processed for collection; unamortized discount on long-term debt, which is the difference between the principal amount of debt securities issued and the proceeds from the sale of such securities, and loss and damage claims paid to shippers by the Company's transportation subsidiaries which are recollectible from other railroads.

Mr. Christopher File, a teen-aged stockholder, asked about the opportunities for young people in railroading. Attractive career opportunities should be available, Mr. Biaggini replied, as the railroads will continue to be the backbone of the nation's transportation system. They should become increasingly important, as they are the low-cost carriers and the most efficient users of fuel in land transportation, and because they create less adverse effect on the environment than practically any other mode of transport.

Mr. Edward Rubin, another young stockholder, asked how many locomotives and freight cars were owned by the Company's railroad subsidiaries. Mr. Biaggini said that approximately 2,500 diesel locomotives and 87,500 freight cars were owned or leased.

Mrs. Beatrice S. Shure asked if the Company or its subsidiaries had any uranium or other minerals on their lands. Mr. Biaggini explained that a program of mineral exploration of Company lands had been undertaken several years ago, and that although small quantities of many different types of minerals were found, the only significant discovery was a deposit of low-grade iron ore in Nevada. No favorable market for the ore has yet been developed.

Mr. Alan C. Furth, Executive Vice President-Law of the Company, summarized the status of litigation involving REA Express, in response to a question from Mr. Gilbert. REA is suing its former railroad owners for alleged violation of the anti-trust laws before and after the railroads sold their interests to an REA management group in 1969. The court recently granted the railroads' motion for summary judgment as to pre-divestiture conduct, but reserved its ruling with respect to post-divestiture conduct. The same claims are also the subject of a cross-complaint by REA in Southern Pacific's California action to recover a half-million dollars of unpaid freight charges. In another REA action against its former owners involving the validity of REA notes held by Southern Pacific Transportation Company and other railroads, the railroads' motion for summary judgment is pending. In REA's suit against Travelers Insurance Company and a number of railroads claiming that certain group insurance policies were amended to its detriment, the railroads' motion for summary judgment was recently granted on the theory that REA could not recover because the actions complained of occurred during the period of railroad ownership.

Christopher File (left), a young shareowner from New York City, asked a question about future careers in railroading while Director Richard K. Miller listened.

Mr. Donald K. Park asked about progress in improving productivity in the railroad industry. Mr. Biaggini said that unions and management are working together to change work rules and that many agreements beneficial to both employes and the industry had been reached. Negotiations with the unions are on a continuing basis, and it is expected that further improvements and changes will be forthcoming.

The Company's financing requirements for the year were the subject of a question from Mr. Paul Longua, who also asked if any type of equity financing is contemplated. Mr Biaggini reported that two conditional sales contracts, totaling $35 million, had been privately negotiated to finance purchase of railroad freight cars, that an equipment trust issue for additional freight cars probably would be sold at competitive bidding before the end of the year, and that Southern Pacific Communications Company is concluding arrangements for a $22 million lease of equipment. Other financing is not expected this year. Although it would be desirable to sell an issue of railroad mortgage bonds to reimburse Southern Pacific Transportation Company for expenditures already made to retire long-term debt and to improve railroad properties, Mr. Biaggini said the securities markets do not seem to be favorable for sale of such bonds on reasonable terms at this time. As for equity financing, it would be difficult in today's market to sell an issue on satisfactory terms.

Board of Directors' Meeting

At its meeting immediately following the Annual Meeting of Stockholders, the Board of Directors approved various management changes, which are detailed on pages 2 and 3 of this Bulletin.

Donald K. Park (left), a stockholder from Hempstead, N.Y., got into a post-meeting conversation with D. K. McNear, President of Southern Pacific Transportation Company.

Directors and Officers Present

In addition to B. F. Biaggini, Chairman and President, and Alan C. Furth, Director and Executive Vice President-Law, the following Directors and Officers of the Company were in attendance:

DIRECTORS: Stephen D. Bechtel, Jr., Thomas M. Evans, Ellison L. Hazard, Kenneth L. Isaacs, Richard K. Miller, Michael A. Morphy, Henry T. Mudd, George B. Munroe, Richard S. Perkins, and William Swindells.

OFFICERS: Robert J. McLean, Executive Vice President-Finance; A. D. DeMoss, Vice President; W. R. Denton, Vice President (Washington, D.C.); D. L. Praeger, Vice President and Controller; J. G. Shea, Vice President-Public Relations; B. G. McPhee, Assistant Vice President and Treasurer; H. A. Waterman, General Counsel; A. E. Hill, Secretary; and H. R. Huber, Transfer Agent.

Officers of the following subsidiaries were present: Southern Pacific Transportation Company — D. K. McNear, President; F. E. Kriebel, Executive Vice President-Traffic; R. E. Wynkoop, General Traffic Manager (Chicago); W. T. Delmater, Traffic Manager (New York); and H. J. Riopelle, General Eastern Traffic Representative (New York). Southern Pacific Land Company — O. G. Linde, President. Southern Pacific Communications Company — C. Gus Grant, President.

Messrs. R. D. Tipton and G. R. West, partners of Haskins & Sells, independent certified public accountants for the Company and its subsidiaries, were also present.

A. E. HILL
Secretary

June 30, 1976
Southern Pacific Company
Southern Pacific Building
One Market Plaza
San Francisco, California 94105

Southern Pacific Begins Sales Program of San Joaquin Agricultural Land

FOR MORE than 100 years, Southern Pacific has owned approximately 165,000 acres of land in California's San Joaquin Valley. This is productive farm land now, but it wasn't always. Early settlers, who colonized the West with the help of Southern Pacific's pioneering promotion of scientific agriculture, sought out easier areas to cultivate. For many years, only occasional use for grazing helped SP offset taxes on the property.

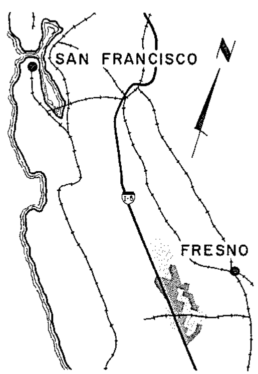
But about 30 years ago, this empty land began to bloom. Energetic farmers, encouraged by Southern Pacific leases and improvement subsidies and by expert advice from SP's professional agronomists, sank deep irrigation wells and leveled and upgraded the soil. Modern farming methods and the San Joaquin sun produced bumper crops of cotton, barley, melons and sugar beets. With the increasing demand for farm products in recent years, and good prices, plantings by SP's tenants became more intensive. (Our revenues from agricultural leases were a record $9.2 million in 1975.)

Some 109,000 of these fertile acres are in the Westlands Water District, where federal irrigation project water from the San Luis Dam became available to us in the early 1970s. Landowners who want to purchase water, however, must agree under contract to specific government conditions. The key one, under a 1902 law, requires owners of more than 160 acres to dispose of "excess" lands within 10 years from the time when water contracts are signed. The U.S. Bureau of Reclamation approves the price and purchaser for each sale, with its appraisals based on present value of the land after deducting any value attributable to availability of the project water.

The better quality of this new irrigation water broadens the variety of crops which can be grown, so farmer-tenants urged that Southern Pacific, like other landowners, sign up for the project water. Southern Pacific Land Company therefore signed contracts with the Bureau of Reclamation putting more than 84,000 acres under this selling commitment, with different parcels coming due for sale from 1981 to 1986. Other SP property in Westlands is being held for other long-run uses (much of it lies along the railroad or Interstate 5), and it is not at this time scheduled to receive federal water.

"Southern Pacific is now beginning to sell its land," declares O. G. Linde, President of SP Land Company, "and we are doing it in strict conformance with both the letter and the spirit of the law."

First opportunity to purchase is being given, to the extent they can qualify under the 160-acre limitation, to the farmers who have actually been working the land under lease from Southern Pacific.



The 572,000-acre Westlands Water District (shaded area) lies along Interstate 5 about 200 miles southeast of San Francisco. SP land is scattered within the area shown in solid color.

"They have spent time, effort and money to improve the soil and make the land productive," explains Ned Smith, chief agronomist for SP Land Company's Natural Resources Division. "It is only fair that they be given the first chance to continue farming the land."

Where lessees cannot buy the land, Southern Pacific's policy is that it will sell parcels up to 160 acres to persons who intend to farm it themselves.

Eight 160-acre sales have been made this spring, at the $750 per acre price appraised by the Bureau of Reclamation, to two Westlands farmers and members of their families. They plan family farms and will reside on or near the property.

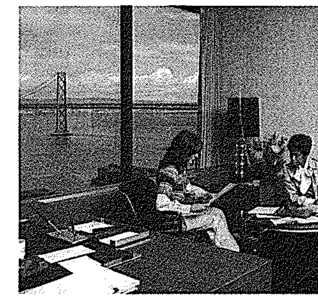
"The contracts don't require us to begin selling for five years yet," comments Mr. Linde, "but we don't want a last-moment land rush. We prefer an orderly sales program."

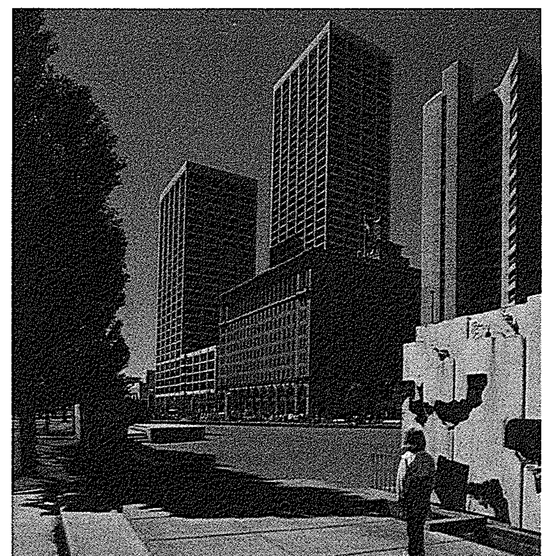
Many experienced Valley farmers have expressed interest in SP land over the past few years, he adds. "We have plenty of prospective purchasers. We have declined offers from promoters of syndications and tax shelter deals and from people seeking windfall profits through a fast turnover of land which the law requires SP to sell at prices below full open market values. But their disappointed comments have helped create misleading publicity about Westlands which clouds the public's view of our role as an owner and seller of the land."

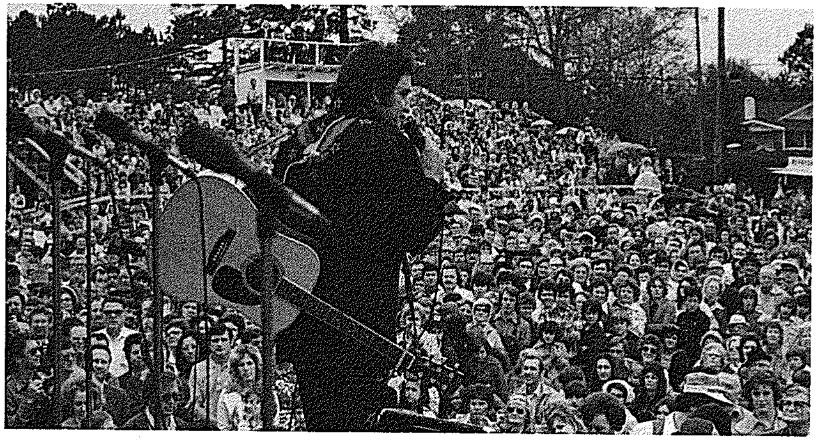
Congressman B. F. Sisk of Fresno, whose constituency includes the Westlands district, recently told news media, however, that he was "impressed with what I feel to be an enlightened position" taken by SP in its land sales policy.

One Market Plaza Opens; 90% Complete

Tenants are now moving into both the 43- and 27-story towers of One Market Plaza, the office and commercial complex which covers a full block at the site of Southern Pacific's headquarters building in downtown San Francisco. A joint venture of Equitable Life Assurance Society of the United States and Southern Pacific Land Company, this $82 million construction project is now more than 90% complete. Leasing is moving forward nicely—62% of the 1.5 million square feet of fine office and retail space is already leased or committed and another 12% is optioned for future occupancy. Office tenants in the towers enjoy fine views of San Francisco and the Bay, such as the Ferry Building (above) and the Bay Bridge (right). Another feature is the six-story-high, skylighted galleria and shopping mall (a portion shown at lower right). One Market Plaza has been winning professional and public compliments for a design which blends in smoothly with San Francisco's skyline and famous view corridors and harmonizes the new construction with the classic style of the 60-year-old SP building, as can be noted from across Embarcadero Plaza (below).







When Johnny Came Home

Cash Was "Ridin' on the Cotton Belt" as Bicentennial Star of Arkansas

UNDER SOMBER skies with interspersed drizzles and touches of sunshine, Johnny Cash, the country and western music superstar, came home to "the most exciting day of his life."

Just about everybody in Cleveland County, Arkansas — and a lot of people from much farther away — turned out in high spirits to welcome the return of the native.

The March 20 event, part of Cleveland County's celebration of the American Revolution Bicentennial, was enhanced by the presence of Governor David Pryor, who proclaimed it "Johnny Cash Day in Arkansas."

Southern Pacific and its St. Louis Southwestern Railway subsidiary (the Cotton Belt) were there to help celebrate, too. The SP-Cotton Belt's longest transcontinental main line runs through Cleveland County, and a lot of railroad people originally came from around there — just like Cash, whose affection for the old railroad songs of American History is legendary.

SP put one of its three red, white and blue Bicentennial locomotives, No. 3197, on the "Johnny Cash Special" train (below, left) that carried the celebration dignitaries and 40 members of the Cash family from Kingsland (Johnny's birthplace) to Rison, Ark., where the composer-entertainer gave a free concert for 10,000 people (above).

Chairman B. F. Biaggini was there to help host the Kingsland and Rison ceremonies, and President D. K. McNear and Supt. W. F. Reed led a contingent of Cotton Belt railroaders who helped make the party a rousing success.

On the train, Cash spent much of the time being interviewed by the news media, particularly Geraldo Rivera for the "Good Morning, America" show (below). The feature, televised nationally over the ABC-TV network April 14, included favorable comment about Southern Pacific and good pictures of the train, which operated faultlessly.

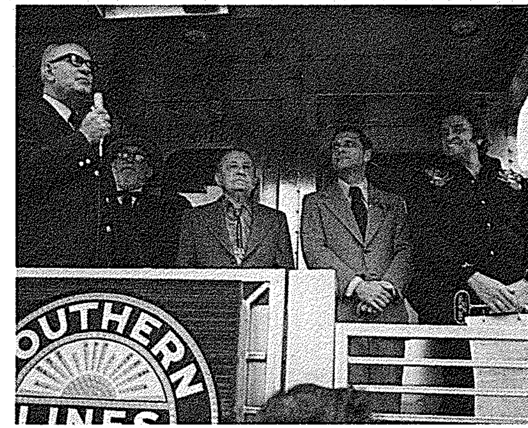
On the program, Rivera asked Cash why he is such a railroad enthusiast. The railroads built this country, Cash replied, and without them the interior heartlands of America couldn't have found markets for their agricultural products — a basic fact of our history sometimes forgotten.

At the Rison concert, Johnny and his wife, June Carter Cash, produced a happy surprise for the audience, particularly the SP and Cotton Belt people on hand.

In a short, gracious speech, Mrs. Cash said: "Johnny picked cotton as a boy and rode the Cotton Belt. I wormed tobacco while my daddy worked on mail cars on the Southern Pacific. Now the Southern Pacific and the Cotton Belt are together, just like Johnny and me."

Then Cash announced he had just written a *new* railroad song for the occasion, called "Ridin' on the Cotton Belt." The song was a dynamite surprise to the crowd, as there had been no hint there was such a song in the works. Cash's singing of "Cotton Belt" brought great cheers, but the lyrics must remain unpublished here until copyrights are completed.

Cleveland County's—and Johnny Cash's big day was filmed and taped, and possibly may show up on a series of network TV specials he is planning.



Mr. Biaggini briefly addressed a large gathering of Johnny Cash well-wishers from train's observation platform at Rison, Ark. The other dignitaries, left to right, are Rison Mayor Ed Olmstead, Ray Cash (Johnny's father), Arkansas Governor David Pryor, and "the man in black," Johnny Cash.

Bicentennial Group Commends SP Efforts

The American Revolution Bicentennial Administration has commended Southern Pacific for its "many outstanding Bicentennial projects and supports."

Noted were displays in many communities of the three SP Bicentennial diesel locomotives and our caboose No. 1776, plus SP assistance on other projects, such as the Bicentennial Wagon Train Pilgrimage and especially the nationwide tour of the American Freedom Train, pulled by former SP steam locomotive 4449.

"It is a most impressive record of Bicentennial involvement," wrote Sydney H. Eiges, Assistant Administrator of the national organization.

Foresters Planting Half-Million Trees

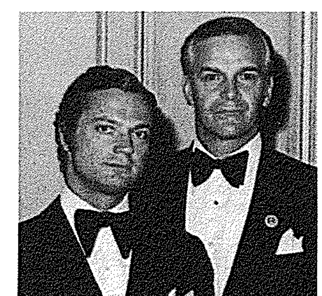
Southern Pacific Land Company's professional foresters are planting more than a half-million new trees in 1976.

Using forest genetics techniques, they are selecting seeds from superior trees in SP's Northern California forests, explains William F. Herbert, General Manager-Natural Resources. These are then grown into seedlings at nurseries before replanting.

The new plantations, mostly of Ponderosa pine, usually reforest areas which have been damaged over the years by fires.

Linde Hosts Sweden's King

As president of the Swedish-American Chamber of Commerce, Southern Pacific Land Company President O. G. Linde hosted a formal dinner in San Francisco in April honoring His Majesty, King Carl XVI Gustaf (left), the first reigning Swedish monarch ever to visit the United States. The king's visit was in response to invitations from Swedish-American organizations to celebrate our Bicentennial.



Southern Pacific switch engine moves forward to couple onto a bulkhead flatcar with a heavy load of lumber (left) at a mill in Noti, Oregon, near Eugene. SP's incentive loading rates are attracting many extra-large lumber shipments.

SOUTHERN PACIFIC BULLETIN
P. O. Box 2267, South San Francisco,
California 94080

[redacted]

BULK RATE
U. S. POSTAGE
PAID
San Francisco,
Calif.
Permit No. 41