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ORIGINAL

Decision No. 10703

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA

* * *

In the Matter of the Application of)
BAY TRANSPORT COMPANY,)
a corporation, for a permit authori-)
zing it to issue and sell \$175,000.)
face value of bonds.)

Application No. 7942.

Gregory & Goodell, by T.T.C. Gregory, for applicant.

BENEDICT, Commissioner.

O P I N I O N

BAY TRANSPORT COMPANY in its amended application asks permission to issue and sell \$175,000.00 of its first mortgage seven per cent. sinking fund gold bonds due June 1, 1932, at not less than ninety per cent. of face value and to use the proceeds to pay its outstanding indebtedness.

Applicant was organized during September, 1921, for the purpose of acquiring and operating steamers, barges, tugs and equipment for the carriage of freight as a common carrier on San Francisco Bay and adjacent waters. Pursuant to Decision No. 9812, dated November 26, 1921, as amended, it acquired properties formerly owned by the E.V. Rideout Company which were then being operated by a creditor's committee, and in consideration issued \$76,000.00 of capital stock and assumed the payment of indebtedness aggregating \$201,141.02. Thereafter, pursuant to orders of the Commission, applicant issued \$93,000.00 of stock to reimburse its treasury on account of surplus earnings used to pay indebtedness and to acquire properties, so that at present there is stock outstanding of a total

par value of \$169,000.00.

The company has heretofore reported that from time to time it has been reducing, out of earnings, the assumed indebtedness. As of May 31, 1922, it reports a total debt of \$160,654.62. The items making up this indebtedness are showing in the following balance sheet:

ASSETS:

| | | |
|-------------------------------------|--------------|-------------------|
| <u>Equipment:</u> | | |
| Steamers,, tugs, barges,..... | \$286,259.00 | |
| Dock equipment,..... | 426.15 | |
| Furniture and Fixtures,..... | 1,020.87 | |
| Office building,..... | 1,709.76 | |
| Total,..... | 289,415.78 | |
| LESS reserve for depreciation,..... | 16,466.88 | 272,948.90 |
| <u>Current Assets:</u> | | |
| Cash,..... | 42,510.07 | |
| <u>Receivables:</u> | | |
| Freight, | 15,044.99 | |
| Notes,..... | 4,000.00 | |
| Claims,..... | 219.08 | 61,763.14 |
| <u>Deferred Charges:</u> | | |
| Ship stores,..... | 757.68 | |
| Unexpired insurance,..... | 3,731.25 | |
| Insurance deposit,..... | 550.00 | |
| Crockett overhauling,..... | 18,845.30 | 23,884.23 |
| <u>TOTAL ASSETS,</u> | | <u>358,616.27</u> |

LIABILITIES:

| | | |
|--|--------------|---------------------|
| <u>Capital Stock:</u> | | |
| LESS unissued,..... | \$500,000.00 | |
| Capital Stock issued, | 331,000.00 | 169,000.00 |
| <u>Current Liabilities:</u> | | |
| Accrued payroll..... | 5,964.39 | |
| Accounts payable -Amount,..... | 8,574.86 | 14,439.25 |
| <u>Deferred Liabilities</u> | | |
| Special Accounts,..... | 28,327.37 | |
| Notes payable,..... | 15,676.04 | |
| Accrued interest,..... | 1,973.67 | |
| Mortgages payable,..... | 97,279.00 | 143,256.08 |
| <u>Contingent -Liabilities for claims,</u> | | 2,959.29 |
| <u>Surplus</u> , | | <u>28,961.65</u> |
| <u>Total Liabilities,</u> | | <u>\$358,616.27</u> |

It appears that the mortgage indebtedness, \$97,279.00, and \$13,884.00 of notes payable fall due on or before December 9, 1922, and that the remainder of the notes and all of the special accounts are payable on December 14, 1923. It is of record that the company is paying inte-

rest at the rate of 6 and 7 per cent. per annum on its present indebtedness.

In its original application, applicant requested permission to issue and sell 8 per cent. bonds. It has since the hearing had on the original application amended the same in all particulars by ^{striking} out as the interest rate on the bonds proposed to be issued the word "eight (8%) per cent" and inserting in lieu thereof "seven (7%) per cent" in all appropriate places in the application and in the exhibits and trust deeds thereto attached.

Applicant requests permission to issue and sell \$175,000. of 10-year 7 per cent. bonds for the purpose of paying its indebtedness. Applicant's proposed deed of trust provides for an authorized bond issue of \$200,000.00. The bonds are to be dated June 1, 1922, mature June 1, 1932, bear interest at the rate of 7 per cent. per annum and are to be callable on any interest payment date at 110 and accrued interest. The proposed deed of trust contains a sinking fund clause requiring the company to pay annually to the trustee an amount equal to 10 per cent. of the highest amount of bonds in face value at any one time outstanding during the current or previous calendar year, together with the proceeds realized from the sale of mortgaged property. If at any time the trustee shall have in the sinking fund a sum of money equaling or exceeding \$5,000.00, it shall upon receiving a written order therefor from the Board of Directors of the company proceed forthwith to purchase in the open market the company's bonds at the lowest price obtainable, but not exceeding 110 and accrued interest. If one month before any interest payment date, the trustee shall have in the sinking fund a sum in excess of \$5,000.00, it may upon order of the company draw by lot the several numbers of so many outstanding bonds as the amount of money in the sinking fund will purchase at a price of not more than 110 and accrued interest.

Applicant requests permission to sell its bonds at not less than 90 per cent. of face value and accrued interest, or on an eight and one-half per cent. basis assuming the bonds are held to maturity. In view of the sinking fund created by applicant's deed of trust, it is fair to assume that a substantial amount of the bonds will be paid prior to maturity, resulting in a higher yield.

While a company operating under circumstances, such as applicant, may not be able to sell its bonds on a 6 per cent. basis, nevertheless I do not believe that this Commission should under present money market conditions authorize the sale of a 10-year 7 per cent. bond callable at 110 at a price of not less than 90 and accrued interest. Unless applicant can sell its bonds on a basis of 8 per cent. or better, I do not believe that its present indebtedness should be refunded through the sale of bonds. The order herein will require applicant to sell its 7 per cent. bonds for cash at not less than 93.2 per cent. of face value, and accrued interest.

I herewith submit the following form of Order.

O R D E R

BAY TRANSPORT COMPANY having applied to the Railroad Commission for permission to issue and sell \$175,000.00 of bonds, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required by applicant and that this application should be granted as herein provided;

IT IS HEREBY ORDERED, that BAY TRANSPORT COMPANY be, and it is hereby, authorized to execute a deed of trust substantially in the same form as the deed of trust filed in this proceeding and marked "Exhibit B", as amended by applicant's supplemental application filed July 13, 1922:-

PROVIDED, that the authority herein granted to execute such deed of trust is for the purpose of this proceeding only and

and is granted in so far as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said deed of trust as to such other legal requirements to which said deed of trust may be subject.

IT IS HEREBY FURTHER ORDERED, that BAY TRANSPORT COMPANY be, and it is hereby, authorized to issue and sell on or before December 15, 1922, for cash, at a net price of not less than 93.2 per cent. of their face value and accrued interest, \$175,000.00 of 7 per cent. bonds due June 1, 1932, and use the proceeds to pay indebtedness referred to in this application, said bonds to be issued under and secured by the deed of trust which applicant is herein authorized to execute.

The authority herein granted is subject to further conditions as follows:-

- 1.--Applicant shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month a verified report as required by the Railroad Commission's General Order No.24, which order in so far as applicable, is made a part of this order.
- 2.--Applicant shall file with the Commission a certified copy of its deed of trust within thirty days after the execution of said deed of trust.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 13th day of July, 1922.

FEE PAID ON ORIGINAL APPLICATION

No. 7276 Decision No. 9812

Dated 26 day of Nov. 1922

H. H. Harrison
Secretary Railroad Commission.
State of California.

H. B. Burdick
Irving Martin

J. F. Lendach