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Decision No. 10756.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE  
STATE OF CALIFORNIA

\* \* \*

In the Matter of the Application of )  
SAN FRANCISCO-RICHMOND FERRY COMPANY, )  
a corporation, for an order authorizing ) Application No. 5097.  
the issue of stock of the par value of )  
\$800,000.00. )

I.M. Golden for Applicant.

BENEDICT, Commissioner.

FIRST SUPPLEMENTAL OPINION

SAN FRANCISCO-RICHMOND FERRY COMPANY requests the Railroad  
Commission to make an order:-

- (1) - Modifying Decision No. 8144, dated September 24, 1920, so as to permit the issue of only \$350,000.00 of common stock instead of \$800,000.00.
- (2) - Permitting it to make and deliver its mortgage in the sum of \$800,000.00, the same to be a first lien on two steel ferry boats to be hereafter constructed and upon terminals to be hereafter constructed at Richmond, and to cover and be a first lien upon all real property owned and hereafter acquired by applicant.
- (3) - For the purpose of taking up and liquidating said mortgage, permit it to create a serial equipment trust and to issue 7 per cent. serial equipment trust notes or to create a bond issue or such other form of indenture as may be appropriate, such indenture to be a lien on all of the company's property now owned or hereafter acquired.
- (4) - To extend until December 31, 1922 the time within which the stock authorized by Decision No. 8144 may be sold.
- (5) - Permitting it to withdraw and expend as needed the proceeds obtained from the sale of stock now on deposit with Wells-Fargo Nevada National Bank of San Francisco for the purpose of paying engineering fees, the cost of bulkheading, dredging and building ferry slip and wharf.

In its order of June 29, 1922, the Commission extended to and including December 31, 1922, the time within which applicant may sell the \$800,000.00 of stock authorized to be issued under the authority granted in Decision No. 8144, dated September 24, 1920, as amended. It is of record that applicant has sold something over \$50,000.00 of this stock and that it has on hand, obtained from the sale of stock the sum of \$38,000.00.

Applicant reports that a shipbuilding company has agreed to construct for it two steel ferry boats at an approximate cost of \$300,000.00, and advance the money necessary to pay for the boats, provided applicant execute a mortgage in favor of the shipbuilding company on all of the property it now owns or which it may hereafter acquire including the boats. It is represented to the Commission that the shipbuilding company does not ask applicant to advance any moneys until the boats are completed. Upon the completion of the boats, applicant proposes to sell \$800,000.00 of 7 per cent. equipment trust certificates or bonds in order to secure the moneys necessary to pay for the boats.

The \$350,000.00 of stock which applicant now asks permission to issue is allocated by it to the following purposes:

|                     |   |
|---------------------|---|
| \$100,000.00        | for wharves, slips, etc.,                           |
| 80,000.00           | to cover payment of shipbuilding company's profits; |
| 60,000.00           | for the acquisition of land in Richmond;            |
| 30,000.00           | to pay architect's fees;                            |
| 27,900.00           | of stock to be sold for cash;                       |
| \$48,000.00         | of stock now sold for cash and paid for             |
| <u>\$349,400.00</u> | or in round figures - \$350,000.00.                 |

Of the \$350,000.00 of stock, it is of record that at least \$173,500.00 will be issued in payment for land, architect's fees and profits to the shipbuilding company. The attention of the Commission is also called to the fact that applicant will urge contractors engaged in the building of its terminal properties to accept stock in payment for part of their services rendered, leaving some of the \$100,000.00 of stock appropriated for wharves, slips, etc., to be sold for cash.

Applicant's boats are estimated to cost \$800,000.00 and are to be paid for from the sale of equipment trust certificates or bonds. It is of record that the company may get 92 to 94 for its 7 per cent. equipment trust certificates or bonds. No definite offer has been received. Were the company to sell \$800,000.00 of equipment trust certificates or bonds at 92, it would realize \$736,000.00. If they are sold at 94, it would realize \$752,000. A sum ranging from \$48,000. to \$64,000. will have to be obtained from some other source. There is nothing in the testimony to show from what source the company would obtain the money represented by the discount on its equipment trust certificates or bonds.

I have reviewed the record in this case and the Commission's decision with more than ordinary care and have reached the conclusion that the Commission's decision should not at this time be modified in any particular. The company now has authority to sell on or before December 31, 1922, \$800,000.00 of its common stock. The terms and conditions under which this stock may be sold are outlined in the Commission's decision. The ferry service which applicant intends to inaugurate is one that should, in my opinion, be initially financed through the sale of stock. It is only in this manner that the credit of the company can be established permanently. Applicant has not yet sold enough stock to warrant the conclusion that this enterprise can be successfully financed.

The fact should not be lost sight of that some \$50,000. of stock has been sold and paid for in cash. It may be assumed that the people who bought this stock did so with the knowledge of the Commission's decisions in this proceeding. Those decisions should not be changed if by such change there results a material modification of the understanding under which stock has heretofore been sold.

Not until applicant has sold enough stock to cover the cost of acquiring and constructing the terminal facilities and at

least one boat will the Commission give further consideration to the issue and sale of equipment trust certificates or bonds by applicant.

I recommend that the supplemental application, except to the extent that it has heretofore been granted, be dismissed without prejudice.

I herewith submit the following form of Order:

THIRD SUPPLEMENTAL ORDER.

A hearing having been held upon the supplemental petition filed by applicant in the above entitled matter on June 14th, and the Commission having considered applicant's request and by its order of June 29, 1922, extended the time within which applicant may issue the stock authorized by the order in Decision No. 8144, dated September 24, 1920, as amended, and the Commission being of the opinion that the supplemental petition in all other respects should be dismissed without prejudice;

IT IS HEREBY ORDERED, that the supplemental petition filed by applicant on June 14, 1922 in the above entitled matter be, and it is hereby, dismissed without prejudice in all particulars except as granted by the Commission's order of June 29, 1922, extending the time until December 31, 1922, within which applicant may issue and sell the \$800,000.00 of common stock, the issue of which is authorized by Decision No. 8144, dated September 24, 1920, as amended.

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

Dated at San Francisco, California, this 21<sup>st</sup> day of July, 1922.

H. B. Brundage  
W. W. Martin  
John A. Jones  
J. F. Swedish