

HS

Decision No. 11421

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SAN FRANCISCO-OAKLAND TERMINAL RAILWAYS,
for an order of the Railroad Commission
of the State of California authorizing
the issuance of Equipment Trust Certifi-
cates for the purpose of acquiring fif-
teen coaches.

Application No. 8445.

Morrison, Dunne and Brobeck, by R.C. Foerster,
for Applicant.

MARTIN, Commissioner.

O P I N I O N .

In this application, SAN FRANCISCO-OAKLAND TERMINAL RAILWAYS ask permission to issue \$175,000.00 face value of ten-year six per cent. serial equipment trust certificates for the purpose of financing, in part, the cost of constructing and equipping fifteen new cars to be used in its key division service.

The company further asks permission, as and when the proposed plan of reorganization, now being formulated, becomes effective, to use proceeds from the sale of a proposed issue of first mortgage bonds to retire these equipment trust certificates at par and accrued dividends.

The application and the testimony of George H. Harris, assistant to applicant's general manager, indicate that the company's present facilities, especially on its Twelfth Street Line, are inadequate to properly take care of the business of the company, which is reported to be rapidly increasing, and which, it is thought will be further developed when the two ferry boats now under construction are put in operation.

To meet this demand for service, applicant proposes to purchase and construct fifteen new steel center entrance cars with a seating capacity of 68 passengers each. It is reported that these cars can be acquired at a cost of \$17,500.00 each, making the aggregate cost \$262,500.00.

The company proposes to finance a part of the cost of its new cars through the issue and sale of \$175,000.00 of equipment trust certificates. These certificates will bear interest at not exceeding six per cent. per annum, will mature in equal amounts semi-annually over a period of ten years and will be redeemable in whole or in part on any dividend payment date at par and accrued dividend. It appears that such certificates will be issued under an equipment trust agreement under the terms of which a trustee will hold title to the cars, applicant operating them under lease arrangements which in effect will obligate it to pay the certificates.

The record shows that the company has arranged for the sale of the entire \$175,000.00 of certificates at 99 per cent. of face value, and that it plans to redeem them at 100 plus accrued dividend within one year from the date of an order of this Commission authorizing the issuance of bonds for the purpose of carrying into effect the reorganization plans of applicant.

Applicant has not submitted with its petition a copy of the proposed equipment trust and lease agreements. Obviously the Commission cannot at this time make a final order in this proceeding. The order herein will not become effective until applicant has filed with the Commission a copy of these instruments and the Commission, by supplemental order, has authorized their execution.

O R D E R

SAN FRANCISCO-OAKLAND TERMINAL RAILWAYS having applied to the Railroad Commission for an order authorizing the issue of \$175,000

of equipment trust certificates, 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 for the purpose specified herein, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED, that SAN FRANCISCO-OAKLAND TERMINAL RAILWAYS be, and it is hereby, authorized to issue and sell, at not less than 99 per cent. of face value plus accrued dividend, \$175,000 of ten-year six per cent. serial equipment trust certificates for the purpose of paying in part the cost of the fifteen new cars referred to in this application, or to assume the obligations under equipment trust and lease agreements looking toward the payment of \$175,000.00 of equipment trust certificates issued under the same terms and conditions.

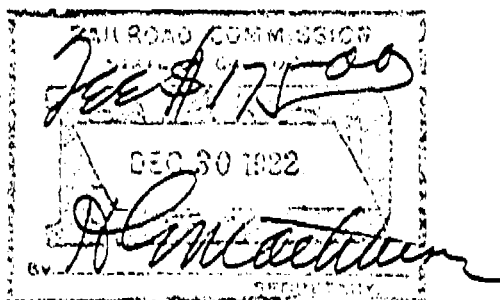
The authority herein granted is subject to further conditions as follows:

- (1) The authority herein granted will not become effective until there has been filed with the Commission a copy of the proposed equipment trust and lease agreements, and the Commission by supplemental order has authorized the execution of such equipment trust and lease agreements.
- (2) The equipment trust and lease agreement shall provide for the payment of all equipment trust certificates issued thereunder within one year after the date of an order from this Commission authorizing the issue of first mortgage bonds for the purpose of carrying into effect the reorganization plan referred to in this application.

- (3) The authority herein granted will not become effective until San Francisco-Oakland Terminal Railways has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$175.00.
- (4) Applicant shall keep such record of the issue and sale of the certificates 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.
- (5) The authority herein granted will apply only to such certificates as may be issued, sold and delivered on or before March 31, 1923.

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 29th day of December, 1922.



H. H. Brundage
Irving Martin
J. T. Pennington

Commissioners.