

ORIGINAL

In the Matter of the Application of  
HALF MOON BAY LIGHT AND POWER COMPANY,  
a corporation, for Permission to Issue  
a Certificate of Stock in Exchange for  
a Promissory Note.

Application No. 1068.

Decision No. 1544

John O. McElroy, for Applicant.

LOVELAND, Commissioner:

O P I N I O N.

Applicant is engaged in the business of manufacturing, generating and distributing gas and electric energy for light, heat and power purposes in Half Moon Bay, San Mateo County, California. Applicant has a capital stock of \$100,000 par value divided into 4,000 shares of the par value of \$25.00 each.

In the order of the Commission made on Application No. 166, Half Moon Bay Light and Power Company was authorized to issue all of its \$100,000 par value of capital stock so as to net applicant not less than 80 per cent of the par value thereof. (See Vol. 1, Opinions and Orders of the California Railroad Commission, 658.)

In the order of the Commission on Application No. 376 Half Moon Bay Light and Power Company was authorized to sell its capital stock in exchange for promissory notes, the term of which should not exceed six months and the rate of interest of which should not exceed 6 per cent per annum. The order expressly provided, however, that no stock so sold should be actually issued until the notes taken in payment therefor had been paid. (See Vol. 2, Opinions and Orders of the California Railroad Commission, 160.)

Subsequent to the orders above mentioned applicant issued to J. A. Bloch stock certificate No. 41, representing 19 shares. and received in exchange therefor J. A. Bloch's promissory note for the sum of \$387.50, which note has never been paid. Certificate No. 41 was pledged by J. A. Bloch with the Bank of Half Moon Bay as collateral security for money borrowed by Bloch from the Bank. It was necessary for the Bank to dispose of this collateral in order to pay off the money due on the loan. Stock certificate No. 41 was, therefore, put up for sale and was purchased by J. E. Debenedetti.

As stock certificate No. 41 was issued contrary to the order of this Commission and without the consent of this Commission, this stock certificate is necessarily void and has no legal validity. Half Moon Bay Light and Power Company has filed the present application asking the consent of the Commission to the issue of a certificate of stock representing 19 shares to be substituted for certificate No. 41.

I have made a careful investigation of all the facts surrounding the issue of stock certificate No. 41 in violation of this Commission's order. I find that the issue of this stock is due directly and solely to the negligence of J. J. Gomez, Vice President and General Manager of Half Moon Bay Light and Power Company. Mr. Gomez states that he did not know that the order of the Commission required that Half Moon Bay Light and Power Company should issue no stock until notes taken in exchange therefor had been paid. Such a claim, however, does not, in my opinion, justify that this Commission so modify the terms of its former order as to make them correspond to the terms upon which this certificate of stock was illegally issued. Mr. Gomez suggested that the Commission require Half Moon Bay Light and Power Company, in disposing of the remainder of its stock to net something more than the 80 per cent of the par value required by a former order of this Commission, the amount received

in excess of the 80 per cent to be put into a fund which should accumulate until the sum of \$387.50 had been reached, this sum being the amount which is due Half Moon Bay Light and Power Company from J. A. Bloch. I cannot countenance such an arrangement. If Half Moon Bay Light and Power Company is able to net more than 80 per cent of the par value of its stock the Company should do so, and the entire amount so received should go into the development of the utility, and not into the payment of the obligations owing to the Company. I find nothing which would justify the granting of the present application, and accordingly recommend that the application be dismissed.

I submit herewith the following form of order:

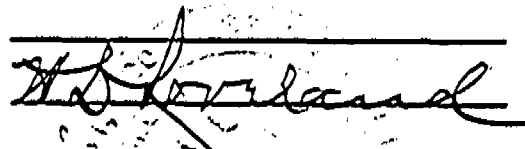
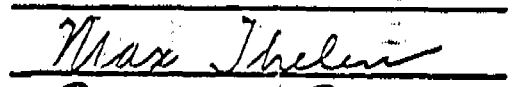
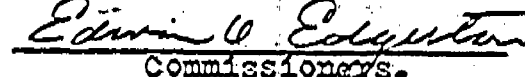
ORDER.

HALF MOON BAY LIGHT AND POWER COMPANY having applied to this Commission for permission to issue a certificate of stock in exchange for a promissory note, and a hearing having been held thereon and the Commission being duly advised,--

IT IS HEREBY ORDERED that this application be, and the same is hereby dismissed.

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 28th day of May, 1914.

  
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Commissioners.