

ORIGINAL

Decision No. 21114

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application)
of FRESNO CANAL AND LAND COMPANY)
for authority to sell and of)
FRESNO CANAL AND LAND CORPORATION)
for authority to purchase certain)
properties, and the application of)
Fresno Canal and Land Corporation)
to issue its capital stock of the)
par value of \$1,000,000.00 and its)
bonds of the face value of \$600,000.)
00.)

Application No. 2727.

WHELEN, Commissioner.

SUPPLEMENTAL OPINION.

On February 7, 1917, the Railroad Commission made its order herein authorizing Fresno Canal and Land Company to convey to Fresno Canal and Land Corporation substantially its entire irrigation system in Fresno and Kings Counties, authorizing Fresno Canal and Land Corporation to issue its capital stock of the par value of \$1,000,000.00 in consideration for the transfer of said property and to issue its first mortgage bonds of the face value of \$600,000.00 and to use the proceeds to pay outstanding mortgage and other indebtedness of Fresno Canal and Land Company. The result of this transaction, as represented by Petitioners herein at the hearing, was that the amount of capital stock outstanding would be reduced from \$1,250,000.00 to \$1,000,000.00, par value, and the mortgage indebtedness from \$1,573,862.15 to \$600,000.00, and that all other indebtedness of Fresno Canal and Land Company would be cancelled.

Fresno Canal and Land Corporation has now filed herein a supplemental petition alleging, in effect, that in the original petition herein, Petitioners failed to represent to the Railroad Commission that in consideration of the payment and satisfaction of the mortgage indebtedness of Fresno Canal and Land Company, the

holders of the capital stock of Fresno Canal and Land Corporation would expect that when and as the bonds of Fresno Canal and Land Corporation in excess of those authorized to be issued by order of February 7, 1917, could be issued under the terms of the mortgage or deed of trust securing the same, Fresno Canal and Land Corporation would^{be} authorized to issue such additional bonds and to exchange the same for an equal amount in par value of the capital stock of Fresno Canal and Land Corporation now to be issued; that it was the understanding between Fresno Canal and Land Corporation, the stockholders of Fresno Canal and Land Company and the purchaser of the bonds of the face value of \$600,000.00 authorized to be issued by the order of February 7, 1917, that such issue of bonds in exchange for capital stock would hereafter be made in consideration for the discharge of the entire indebtedness of Fresno Canal and Land Company; and that if the bonds of Fresno Canal and Land Corporation are hereafter exchanged for the capital stock of said corporation in an amount not to exceed the total of \$400,000.00, the total amount of outstanding securities in bonds and capital stock will not exceed the amount authorized in the decision of February 7, 1917, namely, the total sum of \$1,600,000.00. Fresno Canal and Land Corporation asks that the Railroad Commission make its supplemental order herein "to assure said stockholders that if an application for permission to issue further bonds of said Fresno Canal and Land Corporation is hereafter made, for the purposes above set forth, said application will be granted, if conditions shall justify the same at the time such application is made."

In a word, Fresno Canal and Land Corporation now asks the Railroad Commission to make its order authorizing Fresno Canal and Land Corporation hereafter to issue its remaining unissued first mortgage bonds in an amount/^{not} to exceed the sum of \$400,000.00 in exchange, at face value, for an equivalent amount in par value of the capital stock of Fresno Canal and Land Corporation author-

ized to be issued by the order of February 7, 1917, such bonds to be issued only provided the company's net income during the 12 months next preceding shall be at least one and three-fourths times the interest on all bonds outstanding and applied for and provided further that the amount of bonds outstanding and thus proposed to be issued shall not exceed 60 per cent of the appraised value of the company's properties, as found by the Railroad Commission at or within one year prior to the date when said additional bonds are issued. These conditions are contained in the proposed deed of trust or mortgage of Fresno Canal and Land Corporation. Petitioner represents that it is desirable that some assurance be given to the English creditors and stockholders of Fresno Canal and Land Company, so that they will feel justified in cancelling the entire outstanding indebtedness of Fresno Canal and Land Company amounting to in excess of \$1,500,000.00 and ⁱⁿ substituting therefor a mortgage indebtedness of Fresno Canal and Land Corporation amounting, in the first instance, to \$500,000.00.

The granting of the supplemental petition herein would require the making of an order authorizing the issue of bonds, perhaps many years in the future. The Railroad Commission has consistently established definite and rather short time limits for the issue of the securities authorized by it and I see no reason in the present instance for departing from this policy. Nevertheless, under all the facts of the present proceeding, I see no objection to indicating that, in so far as the present members of the Railroad Commission are concerned, they would view with approval an application such as that suggested in the supplemental petition herein, provided, as stated in the language of the supplemental petition herein, that "conditions shall justify the same (such application) at the time such application is made."

This statement assumes that the petitioners in Appli-

cation No. 2727 shall have complied with all the conditions specified in the order of February 7, 1917, herein.

A supplemental order herein is not necessary.

The foregoing opinion is hereby approved and ordered filed as the opinion of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 19th day of February, 1917.

Max Steben
H. D. Howard

Frank P. DeWitt

Commissioners.