

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application	:	
of the HALF MOON BAY LIGHT & POW-	:	
ER COMPANY, a corporation, for	:	Application No. 376.
permission to accept promissory	:	
notes for sale of part of its cap-	:	
ital stock.	:	

J. O. McElroy, for applicant.

LOVELAND, Commissioner.

O P I N I O N.

On August 7, 1912, this applicant appeared before the Railroad Commission asking for a certificate of public convenience and necessity to install and operate a plant for the generation of electric energy for heat, light and power purposes in the County of San Mateo. Its capital stock at that time was \$25,000.00. Permission was granted as prayed for and thereafter, to wit: October 3, 1912, applicant again appeared before the Commission applying for permission to increase its capital stock to \$100,000.00. After due investigation, this application was also granted and applicant was permitted to increase its capitalization to \$100,000.00, holders of stock under the former capitalization to receive the new stock for their holdings under the former capitalization at \$20.00 per share on the par value of \$25.00 or 80% of par, and the remainder of the stock to be sold so as to net applicant not less than 80% of par; the purposes to which the proceeds were to be devoted being set forth in the Order in that Application No. 166 issued under date of October 3, 1912.

Following this increase in its capitalization, applicant entered into an agreement with one J. A. Bloch by the terms of which agreement said Bloch was to sell the remainder of applicant's capital stock, amounting to 1,875 shares, at the par value of \$25.00 per share, for which service and sales said Bloch was to receive a

commission of 18½% on the par value of \$25.00.

Without, as applicant claims, any intention of proceeding contrary to law, said Bloch was permitted by applicant to take notes in payment on the sale of some of applicant's stock and did so take notes in the sum of about \$11,000.00. Applicant discounted those notes and it developed at the present hearing that the payment of 18½% commission to Bloch and the discount allowed on the notes had resulted in a net loss, on the sale of stock up to the present time, of \$29.00; that ^{is,} applicant had failed to realize net on its sale of stock the \$20.00 per share named in the Commission's Order by the sum of \$29.00. The testimony shows that the money received from the sale of stock has been devoted to the purposes named in the Order in Application No. 156, to wit: discharge of obligations and the construction of extensions.

Applicant now desires permission to take notes, where it is found absolutely necessary, in payment on the sale of its stock, said notes to bear interest at 6%, and also asks permission to discount said notes in such an amount as is necessary but at all times after deducting the commission of 18½% to J. A. Bloch and the discount allowed to the bank, each sale to net applicant not less than \$20.00 per share.

This Commission has not found it necessary in the past to lay down any general rule that stock may be sold and notes taken in payment therefor, preferring to pass upon each case of this kind as it is presented. There seems to be no legal reason why permission should not be given to sell stock in this manner where all the circumstances surrounding the application are found to be favorable to the development and successful prosecution of the enterprise; and as I find that this project is a worthy one, that the successful operation of the utility will be of great benefit and advantage to the people in the section where it is located, and as the people seem to take an interest in making a success of the enterprise and will

probably buy the stock and give notes in payment thereof, which notes banks will be willing to discount. I believe that applicant should be granted permission, under such reasonable rules as the Commission may prescribe, to sell such portion of its remaining capital stock as is necessary and take notes in payment therefor. As an evidence of the desire of the people to help to develop this utility and also as to the character of the notes taken, it is worthy of mention that, according to the testimony in this case, one note of \$2,500.00 was discounted by the bank for \$5.00.

I recommend the following Order:-

O R D E R.

Whereas, Half Moon Bay Light & Power Company, a corporation devoted to the development and distribution of electric energy, operating in San Mateo County, under permission as to public convenience and necessity granted by this Commission, having increased its capital stock from \$25,000.00 to \$100,000.00, also by permission of this Commission now desires permission to sell some portion of its capital stock and take notes in payment therefor; and

Whereas, there is every prospect that the Half Moon Bay Light & Power Company will be developed and conducted successfully to the advantage of the residents of the section in which it is located; and

Whereas, it appears from the testimony that the stock can be sold at the price per share ordered by this Commission in its Order dated October 3, 1912, and notes taken in payment therefor, which notes banks will be willing to discount at a reasonable figure,

NOW, THEREFORE, BE IT ORDERED: that the Half Moon Bay Light & Power Company be and it is hereby authorized to sell the remainder of its capital stock, 1,337 shares, and take notes in payment therefor, such notes to be due and payable within 6 months from date hereof and to bear interest at 6%, the proceeds thereof to be used in discharging certain obligations of applicant as set forth

in the Opinion and Order in Application No. 166 and such other obligations as may have been contracted since, or will be contracted in the future, in the construction and extension of applicant's plant.

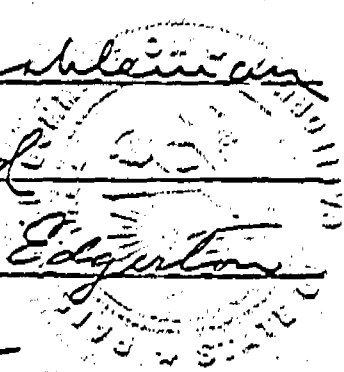
AND BE IT FURTHER ORDERED: that said Half Moon Bay Light & Power Company be and it is hereby granted permission to discount said notes, provided that the commission paid to said J. A. Bloch on the sale of said stock and the discount allowed to banks for discounting said notes shall not exceed \$5.00 per share. In other words, applicant must receive net \$20.00 per share, as per this Commission's Order of October 3, above referred to. And provided, further, that no stock so sold shall be delivered until notes taken in payment therefor have been paid.

This Order is granted upon the express condition that J. J. Gomes, ^{and Manager} President of the Half Moon Bay Light & Power Company, shall return, or cause to be returned, to the treasury of said Half Moon Bay Light & Power Company, the sum of \$29.00, above referred to in this Opinion, and certify to the Railroad Commission that said sum has been returned to the treasury of applicant.

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 7th day of February, 1913.

John M. Eastman
W. H. Loveland
Edwin O. Edgerton



Commissioners.