

Decision No. 6549.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application	)	
for the reorganization of	)	
OAKLAND AND ANTIOCH RAILWAY,	)	<u>Application Number 4555.</u>
OAKLAND, ANTIOCH AND EASTERN RAILWAY,	)	
SAN RAMON VALLEY RAILROAD.	)	

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Jesse H. Steinhart, for applicant.

EDGERTON, Commissioner.

FIRST SUPPLEMENTAL OPINION.

On June 26, 1919, the Railroad Commission made it preliminary order authorizing the issue of not exceeding \$1,950,000.00 of first mortgage 6 per cent 20-year bonds; not exceeding \$1,330,000.00 of 6 per cent preferred stock and not exceeding \$4,000,000.00 of common stock to carry into effect the reorganization plan of Oakland, Antioch and Eastern Railway, Oakland and Antioch Railway and San Ramon Valley Railroad. In a supplemental petition filed in the above-entitled matter on November 12th, it appears that San Francisco and Sacramento Railroad, a corporation, has been organized to acquire and operate the properties of Oakland, Antioch and Eastern Railway, Oakland and Antioch Railway and San Ramon Valley Railroad. The properties of these companies have been ordered sold at foreclosure sale by the Superior Court in and for the County of Contra Costa. The reorganization committee intends to have its representative purchase the properties at the foreclosure sale and transfer them to the San Francisco and Sacramento Railroad.

The Commission is asked to modify its order of June 26, 1919, so as to permit the San Francisco and Sacramento Railroad to

issue not exceeding \$4,000,000.00 of common stock, not exceeding \$1,300,000.00 of 6 per cent preferred stock and not exceeding \$2,100,000.00 of 5-year 7 per cent first mortgage bonds. All of the stock which will be issued, and approximately \$1,300,000.00 of the bonds will be delivered to the bondholders of Oakland, Antioch and Eastern Railway, Oakland and Antioch Railway and San Ramon Valley Railroad. It is reported that the change from a 6 per cent 20-year bond to a 5-year 7 per cent bond is due to the present financial conditions and the small demand for bonds of street and interurban railways.

Approximately \$800,000.00 of the bonds will be sold for cash at not less than 90 and the proceeds used for the following purposes:

Payment of first liens and interest thereon, not to exceed,.....	\$300,000.00
Payment of non-assenting bondholders, estimated and probably not to exceed,.....	75,000.00
Additions and Betterments, including among other things one-half of the cost of branch to Pittsburg, completing ballast on entire line, concreting tunnel, purchasing five cars and constructing two warehouses,.....	203,500.00
Working Capital,.....	<u>141,500.00</u>
Total,.....	\$720,000.00

San Francisco and Sacramento Railroad has filed a stipulation agreeing to amortize the reorganization expenses estimated at \$108,000.00 at such times and in such amounts as the Railroad Commission may direct. The record shows that considerably more than half of the reorganization expenses will be paid from moneys not obtained through the sale of bonds herein authorized.

San Francisco and Sacramento Railroad has also filed a tentative draft of its proposed deed of trust. A number of the provisions of the instrument are incomplete and it is therefore impossible at this time to make an order authorizing the San Francisco and Sacramento Railroad to execute a deed of trust.

I herewith submit the following form of order.

FIRST SUPPLEMENTAL ORDER.

The Railroad Commission having been asked to modify the order in Decision Number 6457, dated June 26, 1919, as indicated in the foregoing opinion, a public hearing having been held and the Railroad Commission being of the opinion that the moneys, property or labor to be procured or paid for by the issue of the stocks and bonds herein authorized is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes, other than those to pay reorganization expenses, are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED that the order in Decision Number 6457, dated June 26, 1919, be, and it is hereby, modified so as to permit San Francisco and Sacramento Railroad to issue not exceeding \$4,000,000.00 of common stock; not exceeding \$1,330,000.00 of 6 per cent preferred stock and not exceeding \$2,100,000.00 of 5-year 7 per cent bonds.

The authority herein granted is upon the following conditions and not otherwise:

- 1.--None of the bonds herein authorized shall be issued until the Commission has made a supplemental order authorizing San Francisco and Sacramento Railroad to execute a deed of trust securing the payment of the bonds herein authorized to be issued.
- 2.--The common and preferred stock herein authorized to be issued, or so much thereof as may be necessary, and not exceeding \$1,300,000 of bonds, shall be distributed to bondholders of Oakland, Antioch and Eastern Railway, Oakland and Antioch Railway and San Ramon Valley Railroad, as provided for in the reorganization plan attached to the original petition and marked Exhibit "A".

3.--Approximately \$800,000.00 of the bonds herein authorized to be issued shall be sold by San Francisco and Sacramento Railroad for cash at not less than 90 per cent of their face value and accrued interest, and the proceeds used for the following purposes, or for such other purposes as the Railroad Commission may hereafter authorize:

Payment of first liens and interest thereon, not to exceed,.....	\$300,000.00
Payment of non-assenting bondholders, estimated and probably not to exceed,.....	75,000.00
Additions and betterments, including among other things one-half the cost of branch to Pittsburg, completing ballast on entire line, concreting tunnel, purchasing five cars and constructing two warehouse,....	203,500.00
Working Capital and reorganization expenses,.....	<u>141,500.00</u>
Total,.....	\$720,000.00

4.--San Francisco and Sacramento Railroad shall file with the Railroad Commission within 90 days after the date hereof, a statement showing what amount, if any, of the proceeds from the sale of the bonds has been used to pay reorganization expenses, which according to the stipulation filed by the company and which stipulation is satisfactory to the Commission, will be amortized in such manner and at such times as the Railroad Commission may determine.

5.--Within 90 days after the date hereof, San Francisco and Sacramento Railroad shall file with the Railroad Commission for approval its book entries relative to the issue of the stock and bonds herein authorized and the purchase of the properties to which reference has been made.

6.--San Francisco and Sacramento Railroad shall keep such record of the issue and sale of the stock and bonds herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad

Commission's General Order Number 24, which order, in so far as applicable, is made a part of this order.

7.--The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

8.--The authority herein granted will apply only to such stock and bonds as may be issued on or before April 30, 1920.

IT IS HEREBY FURTHER ORDERED that the order in Decision Number 6457, dated June 26, 1919, shall remain in full force and effect except as modified by this First Supplemental Order.

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

Dated at San Francisco, California, this 19<sup>th</sup> day of November, 1919.

Edwin O. Edgerton  
H. J. Loveland  
Frank P. Thomas  
H. T. B. Underage

Commissioners.