

Decision No. 27276

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SUTTER BUTTE CANAL CO.)
for an order authorizing the issuance)
of first mortgage refunding bonds for)
the purpose of refunding in part the)
present outstanding first mortgage)
gold bonds of the company.)

Application No. 19573

Orrick, Palmer and Dahlquist,
by George Herrington, for applicant.

BY THE COMMISSION:

OPINION

Sutter Butte Canal Co. asks permission to submit to its bondholders a proposal under which it will make a cash payment on its outstanding bonds on the basis of \$350.00 per \$1,000.00 bond, and pay the balance due on such bonds through the issue of \$472,500.00 of new first mortgage refunding bonds and execute a mortgage or deed of trust to secure the payment of such bonds.

Sutter Butte Canal Co. has \$945,000.00 of 6-1/2% bonds outstanding. The interest rate has been modified in certain respects for the years 1933, 1934 and 1935.

Under the authority granted by Decision No. 23136 dated December 2, 1930, as amended, Sutter Butte Canal Co. sold certain of its properties to the Richvale Irrigation District. In payment for such properties it received \$515,000.00 face value of Richvale Irrigation District 6% bonds.

A copy of the company's proposed mortgage or deed of trust is on file in this proceeding. From the company's application it appears that the Reconstruction Finance Corporation has granted the Richvale Irrigation District a loan of \$388,500.00 to enable it to refund its outstanding bonds. The \$515,000.00 of Richvale Irrigation District bonds are held by the Sutter Butte Canal Co. under an escrow agreement. The company has tentatively agreed to accept for these bonds \$386,000.00 in cash. It proposes to distribute to its bondholders \$330,750.00 of the \$386,000.00 by offering to them a cash payment of \$350.00 per \$1,000.00 bond. The remainder of the money which it will receive from the Irrigation District may be used to pay expenses in connection with the issue of the new bonds and establish a special reserve fund to pay interest on the new bonds or redeem them. The mortgage or deed of trust defines the purpose for which the said remainder may be expended. The new bonds are to be dated September 1, 1934 and mature September 1, 1944. During the first year they would bear interest at the rate of 5-1/4% per annum and thereafter at the rate of 6-1/2% per annum. Applicant recites that in the event its bondholders will not accept its offer it may use the \$386,000.00 or such part thereof as it may deem advisable to acquire its bonds in the open market. It feels, however, that making a proportionate payment on all of its outstanding bonds is more equitable to its bondholders than to use the proceeds to acquire bonds on the open market. The order herein will authorize applicant to issue, subject to the provisions therein stated, new bonds in the amount of not exceeding \$472,500.00 to pay in part applicant's outstanding bonds. Such authority as is herein granted is permissive only. It is obvious that the Commission has no authority to compel any holder of bonds to accept the company's offer.

3. Sutter Butte Canal Co. shall keep such record of the issue of the bonds herein authorized 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 insofar as applicable, is made a part of this order.

DATED at San Francisco, California, this 13th day of August, 1934.

Leon Whitely

M. A. Cua

M. B. Harris

W. H. H. Ware

Commissioners.