

Decision No. 28771

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
THE CALIFORNIA TRANSPORTATION COMPANY
for consideration of its plan of reor-
ganization under the provisions of
Section 77-B of the National Bank-
ruptcy Act. }

Application No. 20459

BY THE COMMISSION:

ORIGINAL

O P I N I O N

In this proceeding the Railroad Commission is asked to consider a plan of reorganization proposed by The California Transportation Company.

The application shows that The California Transportation Company on October 28, 1935 filed in the District Court of the United States for the Northern District of California, Southern Division, its petition for a reorganization under the provisions of Section 77-B of the National Bankruptcy Act. The petition was approved by the Court as being properly filed, and A. E. Anderson was appointed and ever since has been the duly appointed, qualified and acting trustee of the company and of its properties.

On March 30, 1936 the company filed in the said Court its proposed plan of reorganization and the Court thereafter on April 1, 1936 entered its order as follows:-

" IT IS ORDERED that a certified copy of the said petition, containing the said proposed plan of reorganization, be submitted to the said Railroad Commission of the State of California, and that an opportunity be afforded the said Railroad Commission of the State of California to suggest amendments or objections to the said plan, after which the Judge of this Court shall consider such amendments or objections at a hearing at which such Railroad Commission of the State of California may be heard;

" And it further appearing to the satisfaction of the Court that the Debtor is a public utility corporation, wholly intrastate in character, said Railroad Commission of the State of California is hereby requested to determine

whether or not the public interest is affected by said plan and if said Railroad Commission should so determine that the public interest is affected by said plan, said Railroad Commission is requested so to certify and file its said certificate herein and with this court that the public interest is so affected by said plan, within thirty days or such additional period as this Court may prescribe, after the submission of said plan to it."

Accordingly on April 4, 1936 there was filed with this Commission the present application containing, among other things, the company's proposed plan of reorganization.

The California Transportation Company is an intrastate carrier by water operating under the jurisdiction of this Commission. The Commission is familiar with the Company's financial and operating affairs. On April 6, 1935 the company, because of its inability to pay bond interest, filed an application for permission to execute an agreement with its bondholders looking toward the amendment to its trust indenture so as to extend the maturity date of its bonds then outstanding from March 1, 1939 to March 1, 1950, to cancel interest coupons for the period from March 1, 1935 to March 1, 1939, to provide for lower rates of interest than the six per cent nominal rate specified on such bonds, and to make other changes.

Thereafter the Commission, after notice had been duly given, held public hearings on the company's proposals, and on June 28, 1935, issued its Decision No. 28088 in which it found and declared that the agreement was fair and reasonable and authorized the company to execute it and to perform such acts under the Commission's jurisdiction as might be necessary to carry it into effect.

Apparently the bondholders did not agree to the company's proposals in sufficient numbers to cause the agreement to be placed in execution so that as an alternative applicant filed the present petition under the National Bankruptcy Act.

The plan for reorganization, as now proposed, sets forth that applicant is indebted in the amount of \$1,373,311.27 consisting of the following:-

First mortgage 6% bonds due March 1, 1939.....	\$	579,000.00	
Notes payable:			
The Anglo California National Bank	\$	566,647.77	
The Anglo California National Bank		26,000.00	
C. J. Hendry Company		44,236.43	
C.L.Tilden		13,222.89	
Alfred E. Anderson or Florence I. Anderson		9,000.00	
A. E. Anderson		33,122.00	
A. E. Anderson, Trustee		5,948.75	
Rachel F. Anderson		15,000.00	713,177.84
Other indebtedness:			
Southern Pacific Company		34,682.13	
Hunt Hatch Transportation Company		14,011.87	
Sanborn & Roehl		2,150.00	
Marion De Vries		2,400.00	
W. H. Metsen		7,200.00	
Haskins & Sells		1,258.88	
A. E. Anderson		3,600.00	
The River Lines		14,390.42	
Miscellaneous items		1,440.13	81,133.43
Total	\$	<u>1,373,311.27</u>	

The company has been unable to pay interest on the foregoing amounts and in addition to the \$1,373,311.27 is indebted for accrued and unpaid interest, amounting to \$86,850.00 on December 31, 1935, and for various other current and contingent items.

In the proposed reorganization plan it is contemplated, among other things, that as to the bonds, all existing defaults will be waived; that the maturity date will be extended to March 1, 1950; that the interest coupons for the period March 1, 1933 to March 1, 1938, inclusive, will be detached and cancelled; that as to interest from and after March 1, 1938 new coupons shall be issued and attached to said bonds providing for payment of semi-annual interest at the rate of three per cent per annum; that the company shall be relieved of any obligation to pay Federal or Income Taxes, as provided in the original indenture or trust deed; and that as to any amount that

may be written off for depreciation on the property covered by the Trust Deed, it shall be used first to care for, maintain, re-power and keep the property in proper condition and repair and to cover the carrying charges, including taxes and insurance and the like, which are incident to the maintenance and care of the property of the company, and that any cash surplus in the amount of depreciation to be written off shall be made available for the purchase or for the redemption of the bonds.

All the expenses in the bankruptcy proceedings, any sums advanced by the trustee to preserve and protect the property or any sum advanced by the trustee under these proceedings, and all expenses in connection with carrying out this plan shall constitute claims prior to those of the bondholders or other creditors. As to the general creditors whose claims are secured or unsecured, it is provided, among other things, that all interest from and after March 1, 1933 up to March 1, 1938, shall be waived; that from and after March 1, 1938 interest shall be allowed at the rate of three per cent. per annum, payable out of the net earnings only after interest has been paid to the bondholders; that so long as interest is being paid, the payment of all principal sums due any creditor shall be postponed to March 1, 1950.

It seemingly is the intent of the Bankruptcy Act that if the state Commission deems the public interest to be affected by such a plan of reorganization, the Commission may either suggest amendments and objections to the plan or may approve the plan as to the public interest therein and the fairness thereof. We believe that the public interest is affected, inasmuch as the Public Utilities Act of this state expressly provides that the issuance by a public utility of bonds and notes or other evidences of indebtedness is a special

privilege subject to control by this Commission.

Although the plan here submitted differs in some respects from that approved by the Commission in its Decision No. 28088, it appears that the extension of the time provided in the plan for the payment of bonds and notes of the utility is in the public interest and may properly be approved without public hearing thereon. Accordingly, by the order herein made, the Commission expresses its approval of the proposed plan of reorganization, insofar as its jurisdiction extends, in accordance with the authority requested and the order of the District Court of the United States above mentioned.

O R D E R

The foregoing application having been filed with the Railroad Commission, and the Commission being fully advised in the premises, and good cause appearing therefor,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA FINDS AND DECLARES that the proposed reorganization plan of The California Transportation Company submitted with the application herein is in the public interest, and should be approved insofar as the Commission may have jurisdiction; and

IT IS HEREBY ORDERED that The California Transportation Company be and it is hereby authorized to execute such instruments, and to affirm such other acts, as may be necessary to carry said reorganization plan into effect, provided, however, that The California Transportation Company shall be required to file with the Commission a copy of the final order made by the District Court of the United States upon the matter of said reorganization plan.

DATED at San Francisco, California, this 27th day of April, 1936.

W. B. Lewis
Leon Whidell
W. J. C. [unclear]
[unclear]
[unclear]
Commissioners