

LEB

Decision No. 29229

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SAN JOSE WATER WORKS,
a corporation, for an order author-
izing it to execute its note in a
principal face amount of not to ex-
ceed \$2,100,000. and to mortgage its
properties as security for the pay-
ment of such note.

Application No. 20835

Lieb and Lieb, and McCutchen, Olney, Mannon & Greene,
for applicant.

BY THE COMMISSION:

O P I N I O N

San Jose Water Works asks permission to issue, for the purpose of redeeming its outstanding bonds and paying expenses incident thereto, a note for the sum of not exceeding \$2,100,000. and execute a chattel mortgage and a deed of trust to secure the payment of such note.

San Jose Water Works has the following bonds outstanding:-

First mortgage 5% bonds dated July 1, 1926 due July 1, 1951	\$ 333,000.
First mortgage 5% bonds dated January 1, 1928 due January 1, 1953	480,000.
First mortgage 5% bonds dated August 1, 1934 due August 1, 1954	<u>1,163,000.</u>
Total	<u>\$1,976,000.</u>

Applicant has outstanding \$1,501,500. par value of common stock and \$1,501,500. par value of 6% cumulative preferred stock. Its current assets are in excess of its current liabilities.

San Jose Water Works intends to redeem all of its outstanding bonds on January 1, 1937. The bonds due August 1, 1954 are at this time convertible into common stock of the company at the option of the holder on the basis of \$125.00 in principal amount of bonds

for each \$100. in par value of common stock. Applicant, of course, does not know how many of such bonds, if any, will be converted into common stock. Assuming that none will be converted, applicant reports that it must pay a premium of \$83,190. to redeem its bonds which, added to the principal of the bonds, to-wit: \$1,976,000. makes a total of \$2,059,190. which it must pay to redeem its outstanding bonds. In addition it will have to pay the expenses incident to such redemption.

Applicant has entered into an agreement with the Bank of America National Trust and Savings Association for a loan of not exceeding \$2,100,000. to finance the redemption of its present outstanding bonds and the expenses incident to such redemption. The loan, in whatever amount it may be made will be represented by a note dated January 1, 1937 and payable July 1, 1937, with interest payable as follows:-

- a. At the rate of 3% per annum from January 1, 1937 to and including March 31, 1937.
- b. At the rate of 3½% per annum from April 1, 1937 to and including April 30, 1937.
- c. At the rate of 3¾% per annum from May 1, 1937 to and including May 31, 1937.
- d. At the rate of 3-3/4% per annum from June 1, 1937 to and including July 1, 1937.

A copy of the proposed note which applicant asks permission to issue is filed in this proceeding as Exhibit B. The payment of the note will be secured by a chattel mortgage and by a deed of trust similar in form to those filed in this proceeding as Exhibit C. We find the proposed note, chattel mortgage and deed of trust to be in satisfactory form.

Applicant expects to pay the note which it may issue for the purpose of redeeming its bonds through the issue and sale of first mortgage bonds. It has entered into an agreement with certain underwriters to sell to them \$2,100,000. of 3-3/4% bonds due December 1, 1961 at par plus accrued interest from December 1, 1936 to date of delivery

plus two-thirds of any excess of the offering price to the public over 102 $\frac{1}{2}$ % of the principal. The agreement is subject to various terms and conditions and is predicated upon the present market price for bonds. If the market price for bonds declines between now and when the bonds of the company can be offered for sale the underwriters are relieved from the obligation to acquire the bonds.

O R D E R

San Jose Water Works having asked permission to issue a note in the amount of not exceeding \$2,100,000. and to execute a chattel mortgage and a deed of trust, the Commission having considered applicant's request and being of the opinion that this is not a matter in which a hearing is necessary and that this application should be granted subject to the provisions of this order, and that the money, property or labor to be procured or paid for by the issue of said note is reasonably required by applicant for the purpose herein stated, therefore,

IT IS HEREBY ORDERED as follows:-

1. San Jose Water Works may, after the effective date hereof and on or before January 15, 1937, issue a note in the principal face amount of not to exceed \$2,100,000., which note shall be in, or substantially in, the same form as the note filed in this proceeding as Exhibit B, and may use the proceeds realized from the issue of said note to redeem its outstanding bonds and pay expenses incident to such redemption.

2. San Jose Water Works, for the purpose of securing the payment of the aforesaid note, may execute a chattel mortgage and a deed of trust, which chattel mortgage and deed of trust shall be in, or substantially in, the same form as those filed in this proceeding as Exhibit C, provided that the authority herein granted to execute a

chattel mortgage and a deed of trust, is for the purpose of this proceeding only, and is granted only insofar as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said chattel mortgage and deed of trust as to such other legal requirements to which said chattel mortgage and said deed of trust may be subject.

3. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is One Hundred and Twenty-four (\$124.00) Dollars.

4. Within thirty (30) days after the execution of the note, the chattel mortgage and deed of trust herein authorized to be executed, San Jose Water Works shall file with the Railroad Commission a certified copy of said note and of said chattel mortgage and of said deed of trust.

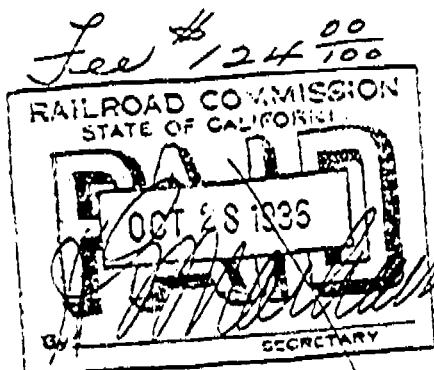
5. San Jose Water Works shall file with the Railroad Commission a report or reports in compliance with the Railroad Commission's General Order No. 24, which order insofar as applicable, is made a part of this order.

DATED at San Francisco, California, this 28th day of October 1936.

M B Herrie

M J Carr

Frank R. Adams
Commissioners.



Fee # 32999