

Decision No. 28746

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 re-
organization under the provisions of
Section 77-B of the National Bank-
ruptcy Act.

Application No. 20459

BY THE COMMISSION:

ORIGINAL

FIRST SUPPLEMENTAL OPINION

The Commission by its order in Decision No. 28771 dated April 27, 1936 authorized The California Transportation Company to execute such instruments as may be necessary to carry into effect the reorganization plan attached to applicant's petition as Exhibit A.

On April 23, 1937 there was filed with the Commission an order of Federal District Judge Michael J. Roche in the Southern Division of the United States District Court, in and for the Northern District of California, directing said The California Transportation Company to file with the Railroad Commission a new proposed reorganization plan. The order shows that the reorganization plan considered by the Commission in its decision of April 27, 1936 has been withdrawn. On May 3, 1937 certain amendments to the said reorganization plan were filed with the Commission.

The Federal Court, pursuant to provisions of Section 77-B of the National Bankruptcy Act, has referred the new plan to the Commission to determine whether or not the public interest is affected by said plan, and to afford the Commission the opportunity to suggest amendments or objections to the plan.

For the purpose of identification we have filed the new plan in the above entitled proceeding as Exhibit B and the amendment thereto as Exhibit C.

The reorganization plan contemplates the amendment of the company's articles of incorporation so as to provide for first preferred, second preferred, third preferred and common stock. All shares of preferred stock will have a par value of \$50. each, and carry a cumulative dividend rate of 3% per annum from January 1, 1938. The first and second preferred stock will be issued to the holders of the company's \$579,000. of outstanding bonds. A holder of a \$1,000. bond will receive \$500. par value of the first preferred and \$500. par value of the second preferred. The unsecured creditors will receive third preferred stock in par value equal to the principal of their claims approved by the court. Both the holders of bonds and the general creditors will waive all unpaid interest. For every five shares of common stock now outstanding the company will issue one share of no par value of common. No dividends may be paid on the common stock until all the preferred stock has been redeemed and the accumulated dividends thereon paid.

At the outset each class of preferred stock elects two directors and the common stock one director. Upon the redemption of any class of preferred stock the election of directors is reassigned to the holders of outstanding stock, but not until all of the preferred stock is redeemed will the holders of common stock elect a majority of the directors.

An indebtedness of \$30,116.50 due Anglo California National Bank of San Francisco, trustee's certificates and reorganization expenses approved by the court will be assumed by the company. Such indebtedness shall be due and payable two years from the date of the approval of the reorganization plan by the court. The company shall anticipate the payment of such debt in whole or in part as expeditiously as possible, provided that such anticipatory payments shall be made by the company only from its available net earnings and/or proceeds of sale of its capital assets. All of such indebtedness shall be discharged before any dividends or other disbursements what-

ever are made on any stock of the company. The payment of the \$30,116.50 is subordinated to the payment of the other indebtedness mentioned herein.

We have considered the proposed plan of reorganization and believe that such plan affects the public interest, inasmuch as the Public Utilities Act of this State expressly provides that the issuance by a public utility of stock, bonds, notes or other evidences of indebtedness is a special privilege subject to control by this Commission. Although the plan now before us is materially different from the plan considered by the Commission in Decision No. 28771 dated April 27, 1936, it appears to us that such plan does not adversely affect the public interest. We are advised that applicant's principal creditors have approved the plan of reorganization. The plan converts the major portion of applicant's debts into preferred stocks and makes provision for the redemption of such stock. We have no objections to the plan and think it may properly be approved without a public hearing thereon. Accordingly, by the order herein made, the Commission expresses its approval of the proposed plan of reorganization filed in this proceeding as Exhibit B and Exhibit C, insofar as its jurisdiction extends, in accordance with the authority requested and the order of the District Court of the United States above mentioned. If the said plan is approved by the said District Court and upon the filing with this Commission of an appropriate application for permission to issue the shares of stock referred to in said plan, the Commission will authorize the issue of said shares of stock.

FIRST SUPPLEMENTAL ORDER

The Railroad Commission having considered the reorganization plan of The California Transportation Company filed in this proceeding as Exhibit B and Exhibit C, 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 filed in this proceeding as Exhibit B and
Exhibit C, is in the public interest and should be approved insofar
as the Railroad Commission may have jurisdiction and that upon the
approval of said plan by said court and the filing of an appropriate
application with the Railroad Commission, it will enter its order
authorizing said The California Transportation Company to issue stock
for the purpose of carrying said reorganization plan into effect.

DATED at San Francisco, California this 10th day of May,
1937.

William H. ...
Leon ...
Edward ...
Ray ...
Commissioners.