

Decision No. 31273

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SAN FRANCISCO BAY TOLL-BRIDGE
COMPANY, (a corporation),
for an order, (1) authorizing applicant
to issue in exchange for its presently
outstanding bonds, debentures, stock
and common stock, its new Class A stock,
Class B stock and Class C stock, pursuant
to the terms and provisions of a proposed
plan of reorganization of applicant, and
(2) approving the terms and conditions of
such issuance and exchange and the fairness
of such terms and conditions.

ORIGINAL
Application No. 22142

Supplemental application of William W.
Jones, disinterested trustee for San
Francisco Bay Toll-Bridge Company, a
corporation, in reorganization in the
United States District Court made herein
pursuant to an order of the United States
District Court, and in compliance with
Sections 177 and 178 of Chapter X of the
National Bankruptcy Act, as amended,
(commonly known as the Chandler Act.)

Application No. 22142

BY THE COMMISSION:

FIRST SUPPLEMENTAL OPINION

The Commission by Decision No. 31273, dated September 19,
1936, among other things, authorized San Francisco Bay Toll-Bridge
Company, subject to the conditions of said decision, to issue the
following stocks:

Class A stock	\$4,303,000.00
Class B stock	500,000.00
Class C stock	<u>49,957.50</u>
Total	<u>\$4,852,957.50</u>

It was then contemplated that the Class A stock would be
exchanged for the company's \$4,303,000 face amount of 6 $\frac{1}{2}$ % bonds and
the accrued and unpaid interest thereon; that the Class B stock would
be exchanged for \$2,000,000 face amount of 8% debentures and the
accrued and unpaid interest thereon; and that the Class C stock would
be exchanged for the company's outstanding preferred and common stocks.

Because of the fact that some creditors did not assent to the plan of exchange, the amendment of the National Bankruptcy Act and the decision of the United States Supreme Court rendered in the case of Thomas K. Case and Adele B. Cowan, and Estate of Adele B. Cowan, deceased, petitioners, vs Los Angeles Lumber Products Company, Ltd., it has become impossible to carry out the plan originally presented to the Commission in this proceeding. A new plan of reorganization was therefore filed in the United States District Court, Northern District of California, Southern Division, and also a petition to have the San Francisco Bay Toll-Bridge Company, a corporation, declared insolvent. These matters were duly considered by United States District Judge, Michael J. Roche. On January 12, 1940 he rendered his order in which he finds the San Francisco Bay Toll-Bridge Company insolvent. He also, among other things, finds that the value of the assets of the debtor corporation exceeds \$5,500,000 and directs that the reorganization plan proposed by William W. Jones, disinterested trustee, as modified and amended, and dated January 12, 1940, be filed and referred to the Railroad Commission of the State of California for its consideration.

The San Francisco Bay Toll-Bridge Company is a public utility subject to the jurisdiction of the Railroad Commission. Sections 577 and 578 of the Bankruptcy Act provide that if the debtor is a wholly intrastate utility, its plan shall not be approved until it shall have been submitted to the State regulatory Commission for the suggestion of amendments or the offering of objections thereto, and shall have first certified its approval of such plan as to the public interest therein and the fairness thereof.

Under the proposed plan the \$4,303,000 of first mortgage 6½% bonds of San Francisco Bay Toll-Bridge Company presently outstanding, will be exchanged for \$4,303,000 of first mortgage 6½% cumulative income bonds. To the first mortgage bondholders would also be issued \$6,060 shares of no par value stock at a stated value of \$1.00 per share. To the holders of the \$2,000,000 of debentures would be issued 2,000 shares of Class B stock of the stated value of \$1.00 per share.

As indicated, it is not possible to carry into effect the reorganization plan approved by the Commission by Decision No. 31273, dated September 19, 1938.

We have considered the revised 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. Furthermore, this Commission has jurisdiction over the rates charged by San Francisco Bay Toll-Bridge Company. We feel that the reorganization plan should contain a provision that the finding by the Federal Court that the company's property has a value in excess of \$5,500,000 is for the purpose of this reorganization only, thus indicating that such finding shall not be deemed a measure of value for rate fixing or other state regulatory purposes. Our authority in this proceeding goes to the approval of a reorganization plan that involves the issue of \$4,303,000 of income bonds, \$6,060 of Class A stock and \$2,000 of Class B stock, or an aggregate amount of bonds and stocks of \$4,391,060. From our point of view, it is not necessary to make a finding that the company's properties have a value of \$5,500,000 to warrant the issue of \$4,391,060 of

bonds and stocks.

Further, we believe that the reorganization plan should subordinate the lien of the income bonds to a first lien which the directors may at their discretion, with the approval of the state authorities, place on the property to secure the payment of funds borrowed to repair, maintain or enlarge the bridge structure or any part thereof. Contingencies may arise during the life of the income bonds which will require the raising of monies for one or more of such purposes. "The holders of 75" should, we think, be substituted for the word "majority" in line 22 on page 13 of the plan of reorganization. We also believe that "75%" should be substituted for "66-2/3%" in line 8 of page 14 of the plan of reorganization. The indenture securing the payment of the bonds should contain a covenant obligating the company to carry workmen's compensation insurance, public liability insurance and such other insurance as the directors may determine.

Subject to the modifications herein set forth, the Commission by the order herein, expresses its approval of the proposed plan of reorganization filed in this proceeding on January 20, 1940, 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 said plan is approved by the said District Court and upon the filing with this Commission of an appropriate application for permission to issue said income bonds and stocks, the Commission will authorize the issue of the same.

FIRST SUPPLEMENTAL ORDER

The Railroad Commission having considered the reorganization plan of the San Francisco Bay Toll-Bridge Company filed in this proceeding on January 20, 1940, good cause appearing therefor,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA HEREBY FINDS AND DECLARES that said plan of reorganization, if modified as indicated in the foregoing First Supplemental Opinion, of the San Francisco Bay Toll-Bridge Company, filed in this proceeding on Jan. 20, 1940, is fair and 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 District Court and the filing of an appropriate application by said San Francisco Bay Toll-Bridge Company, the Railroad Commission of the State of California will enter its order authorizing said San Francisco Bay Toll-Bridge Company to issue income bonds and stocks for the purpose of carrying said reorganization plan into effect.

Dated at San Francisco, California, this 13th day of February, 1940.

Ray L. Riley
Donald W. Brown
Ralph W. Brown
H. H. H.
James J. Cooney
Commissioners