

Decision No. 32806

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

SAN FRANCISCO BAY TOLL-BRIDGE  
COMPANY, a corporation, now in  
reorganization,

for an Order, (1) authorizing applicant to issue in exchange for its presently outstanding bonds new bonds, face for face, to pay certain sums in cash to its Debenture holders, and to issue certain common stock to its present bondholders, and (2) approving the terms and conditions of such issuance and exchange and the fairness of such terms and conditions.

APPLICATION NO. 22142

**ORIGINAL**

-----  
Second Supplemental Application of  
HIRAM W. JOHNSON, JR.,  
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  
Section 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:

SECOND SUPPLEMENTAL OPINION

The Commission's order in Decision No. 32806, dated  
February 13, 1940, reads in part as follows:

"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 January 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."

On June 4 there was filed with the Commission a second supplemental application in the above entitled matter, together with a second amended plan of reorganization. Under this plan the First Mortgage Bonds of San Francisco Bay Toll Bridge Company are to be exchanged for new bonds and new common stock on the basis of \$1,000 principal amount of new bonds and two shares of new common stock for each \$1,000 principal amount of present bonds, and on a corresponding basis for bonds of lesser denominations. All of the present debentures and all claims of unsecured creditors are to be canceled and extinguished upon payment to the holders thereof, or setting aside for their account of a sum in cash equal to one and one-half per cent of the principal amount of such debentures and claims. All preferred stock and all common stock of the company now outstanding is to be canceled and extinguished.

If the second amended plan is carried into effect, the company will have outstanding not exceeding \$4,303,000 of new bonds and 8,606 shares of common stock of the par value of \$1 per share. The bonds will bear cumulative income interest from November 1, 1939, until maturity, or prior payment of principal, up to but not exceeding 3% of said principal amount annually, payable in multiples of 1/4 of 1% on May 1, and November 1, of each year (provided that no distribution shall

be made on any installment of such income interest in an amount less than 1/2 of 1%) out of the net income of the company as such term is defined in the indenture. Provision is also to be made in the indenture for the redemption of the bonds prior to their maturity.

The plan provides that the new bonds shall bear upon their face a statement substantially as follows:

"The principal and interest of these bonds can be paid only out of funds derived from the operation or sale of the San Mateo-Hayward Bridge prior to July 11, 1977, when the company's franchise expires and the Bridge becomes a public highway."

The San Francisco Bay Toll-Bridge Company is a public utility. The issue of its securities, the service it renders and the rates which it charges for that service are subject to the jurisdiction of the Railroad Commission. In our opinion the above provision is not in the public interest. The company should be in a position to use any funds, it may have or receive, regardless of their source, not needed to pay operating expenses, to pay interest and principal on its bonds. After all the company is expected to pay its debts because another provision of the amended plan is to the effect that no distribution, either by way of capital or dividends, can be made on the stock until all of the outstanding bonds of the company, dated as of November 1, 1939, have been retired. To this provision we have no objection, but we do object to a provision being printed on the bonds or incorporated in the indenture under which the bonds are being issued that the principal and interest may be paid only out of funds derived from operation or sale of the San Mateo-Hayward Bridge prior to July 11, 1977. If this feature is

deleted, we have no objection to the second amended plan of reorganization of San Francisco Bay-Toll Bridge Company as filed with us on June 4, 1940.

SECOND SUPPLEMENTAL ORDER

The Railroad Commission having considered the second amended reorganization plan of San Francisco Bay Toll-Bridge Company filed in this proceeding on June 4, 1940, and good cause appearing therefor,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA HEREBY FINDS AND DECLARES that said second amended plan of reorganization, if modified as indicated in the foregoing second supplemental opinion of San Francisco Bay Toll-Bridge Company, filed in this proceeding on June 4, 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 stock for the purpose of carrying said second amended reorganization plan into effect.

Dated at San Francisco, California, this 11th day of June, 1940.

Ray J. Riley  
Frank J. Miller  
Harold J. ...  
J. Baker  
Justus J. Coe  
Commissioners.