

Decision No. 45388

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
MANNING TANK LINES, INC. for)	Application
Authority to Execute a Promissory)	No. 32134
Note.)	
-----)	

ORIGINAL

O P I N I O N

This is an application for an order of the Commission authorizing Manning Tank Lines, Inc. to assume the payment of indebtedness in the aggregate amount of \$108,752.04, and to issue a note in the principal amount of \$1,000,000 for the purpose of paying indebtedness and of financing the cost of equipment.

Applicant is a California corporation organized on June 21, 1949. It is engaged in business as a petroleum irregular route carrier in California and in addition it has acquired and owns approximately 90% of the outstanding shares of stock of Lang Transportation Corporation, a corporation also operating as a highway carrier of liquid petroleum products and oil well supplies within the state. For the year 1950 applicant reports operating revenues of \$637,323.49 and dividend revenues of \$330,000, a total of \$967,323.49, with net income from all sources of \$303,576.73. (1)

In Exhibit J, applicant reports its assets and liabilities as of December 31, 1950, as follows:

(1) The 1949 annual report of Lang Transportation Corporation shows operating revenues of \$3,764,913 with net income of \$357,831. It shows net investment in tangible property at \$763,502 and in other assets at \$704,256, a total of \$1,467,758, with outstanding liabilities and miscellaneous reserves of \$948,749. The 1950 report has not yet been filed.

Assets

Current assets -		
Cash and deposits	\$ 3,596.61	
Accounts receivable	<u>38,651.78</u>	
Total current assets		\$ 42,248.39
Intangible property		1,376.66
Improvements to leasehold property		699.85
Investments in stock -		
Lang Transportation Corporation	2,144,000.00	
Fleetway Transport, Inc.	<u>5,000.00</u>	
Total investments		2,149,000.00
Deferred charges		<u>5,376.84</u>
	Total	<u>\$2,198,701.74</u>

Liabilities

Current liabilities -		
Advances from affiliated company	\$ 194,148.69	
Accounts payable	13,207.82	
Accrued liabilities	<u>30,662.40</u>	
Total liabilities		\$ 238,018.97
Advances payable		1,500,000.00
Capital and surplus -		
Common stock	1,000.00 ⁽²⁾	
Earned surplus	<u>459,682.77</u>	
Total capital and surplus		<u>460,682.77</u>
	Total	<u>\$2,198,701.74</u>

The application shows that applicant conducts its operations with a fleet of equipment leased from Equity Realty and Equipment Company, and that it now desires to purchase the same for the sum of \$143,099.52.⁽³⁾ It appears that such equipment is subject to certain conditional sales contracts and a promissory note and mortgage of chattels in the remaining unpaid aggregate amount of \$108,752.04, and that applicant, under and pursuant to the terms of a Transfer of Equity and Assumption Agreement, proposes to assume the payment of said indebtedness and to set up the remainder of the purchase price, amounting to \$34,347.48, on its books as an open

(2) Information on file with the Commission shows that all the outstanding shares of stock were issued to T. J. Manning.

(3) The equipment to be purchased includes 7 trucks, 11 trailers and 1 semi-tanker and miscellaneous equipment. Applicant's financial statement shows that during 1950 it expended \$264,519.80 for rent of equipment.

account payable to the vendor and bearing interest at the rate of 5% per annum on unpaid balances. The various instruments which applicant proposes to assume are payable in monthly installments aggregating \$2,090.97. A copy of each of said instruments is on file in this proceeding as Exhibit E.

As to the request of applicant to issue a note for \$1,000,000, it appears that it acquired the shares of stock of Lang Transportation Corporation in July of 1949, that it borrowed at that time \$600,000 from Bank of America National Trust and Savings Association, and became indebted in the amount of \$1,000,000 in favor of Howard M. Lang, Mike Lang and Mike Lang, Trustee, the vendors of said shares of stock, and that the principal amounts of these two items of indebtedness had been reduced to \$387,500 and \$722,011.82, respectively, a total of \$1,109,511.82 as of December 28, 1950. The application further shows that on that date T. J. Manning individually purchased said obligations from the holders thereof, canceled the outstanding notes evidencing their payment, and became a creditor of applicant on open account in the same total amount. In addition, applicant owes other sums to T. J. Manning, as reflected in the balance sheet.

Applicant now desires to liquidate in part the outstanding indebtedness in favor of T. J. Manning. Subject to receiving permission from the Commission, it plans to borrow the sum of \$1,000,000 from Bank of America National Trust and Savings Association for that purpose, and to issue to said bank its promissory note bearing interest at the rate of 5% per annum and payable in monthly installments of \$20,000 or more.

It appears that said note will be issued under and pursuant to the terms of a loan agreement, as modified, which provides, among

other things, that conditions precedent to the making of the loan include the loaning by T. J. Manning to applicant of the sum of \$265,500 or, in lieu thereof at his option, the investment of said sum in additional capital stock of applicant;⁽⁴⁾ the execution by T. J. Manning of an instrument guaranteeing payment of the proposed loan of \$1,000,000; the execution of an agreement subordinating the indebtedness to T. J. Manning and other persons to the proposed loan; and the pledging by T. J. Manning of shares of capital stock of applicant and also the shares of Airport Limousine Company which he owns as additional security for the proposed loan. The loan agreement further indicates that applicant either will acquire the capital stock of Lang Transportation Corporation which it does not now own, being approximately 10% of the aggregate amount now outstanding, or that such shares will be re-acquired by Lang Transportation Corporation, and that it will pledge all of said shares of stock of Lang Transportation Corporation it owns as additional security for the payment of the proposed note.

A copy of the proposed loan agreement has been filed in this proceeding as Exhibit A, together with a modification letter thereto as Exhibit B.

O R D E R

The Commission has considered the above entitled matter, and is of the opinion that a public hearing thereon is not necessary; that the application should be granted, as herein provided; that the

⁽⁴⁾ No request has been made by applicant for authority to issue shares of stock. In the event T. J. Manning exercises his option, it will be necessary for applicant to file an application to issue such shares and to make its showing in support of its request.

money, property or labor to be procured or paid for through the issue of the note herein authorized is reasonably required by applicant for the purpose specified herein; and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Manning Tank Lines, Inc., after the effective date hereof and on or before August 31, 1951, may assume the payment of indebtedness in the aggregate amount of not exceeding \$108,752.04, represented by the conditional sales contracts and the promissory note and mortgage of chattels filed in this proceeding, in accordance with the terms of the Transfer of Equity and Assumption Agreement filed in this proceeding as Exhibit C.

2. Manning Tank Lines, Inc., after the effective date hereof and on or before August 31, 1951, may issue a promissory note in the principal amount of not exceeding \$1,000,000 for the purpose indicated in this application, such note to be issued under and pursuant to the terms of the loan agreement filed in this proceeding as Exhibit A, and the modification letter filed as Exhibit B, which instruments applicant may execute.

3. The action taken herein shall not be construed to be a finding of the value of the properties referred to herein nor of the stock of Lang Transportation Corporation.

4. Manning Tank Lines, Inc. shall file with the Commission a copy of the note issued under the authority herein granted, such filing to be made within thirty (30) days after its date, and at the same time a statement indicating the amount of each evidence of indebtedness the payment of which it assumed under the authority herein granted.

5. The authority herein granted will become effective when Manning Tank Lines, Inc. has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is one thousand (\$1,000.00) dollars.

Dated at Los Angeles, California, this 27th day of February, 1951.

Justus J. Caseman
Harold P. Auld
Peter E. Mitchell

Commissioners

