

ORIGINAL

Decision 84 07 CC1 JUL 2 1984

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
System 99 for Authority to enter)
into two security and loan agreements) secured by real and personal)
properties.)

Application 84-06-081
(Filed June 25, 1984)

O P I N I O N

By this application, System 99 requests authority, under Public Utilities (PU) Code Sections 816 through 830 and 851, for the following:

1. To enter into a Security and Loan Agreement with Security Pacific National Bank for an accounts receivable line of credit of up to \$4,000,000;
2. To enter into a Loan and Security Agreement with Security Pacific Business Credit, Inc. for a term loan of \$4,000,000, secured by all the personal properties of System 99 and certain real properties owned by System 99's wholly owned subsidiary, Trans Western Express, Inc.

System 99, a California corporation, engages in the transportation of general commodities by motor vehicle in California intrastate commerce under authority granted by Decision (D.) 88376 dated January 17, 1978 in Application (A.) 56660 (File T-46,300). System 99 also operates in interstate commerce under authority granted by the Interstate Commerce Commission in Docket MC-98327.

Approximately 20 percent of System 99's revenue is from California intrastate operations, and approximately 77 percent is interstate freight between California, Oregon, Washington, Nevada, Idaho, Utah, Arizona, New Mexico, and Texas. The remaining three percent is Oregon and Nevada intrastate operations. Its consolidated operating revenues and net profit for the year ending December 31, 1983 were \$67,574,776 and \$1,240,762, respectively.

System 99's Consolidated Balance Sheet as of December 31, 1983 appears in the application as Exhibit 3, summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Property and Equipment	\$10,869,719
Intangible Property and Investment	3,088,723
Current Assets	9,000,849
Deferred Debits	<u>67,995</u>
TOTAL	\$23,027,286
<u>Liabilities and Equity</u>	
Preferred Equity	\$ 600,000
Common Equity	678,635
Long-Term Debt	8,439,957
Subordinated Indebtedness	804,713
Current Liabilities	12,195,981
Deferred Credits	<u>308,000</u>
TOTAL	\$23,027,286

On September 7, 1983, the Commission by D.83-09-39 and D.83-09-64 both in A.83-08-24 approved System 99's entering into a Restated Security and Loan Agreement with Security Pacific National Bank ("Bank") for loans up to a maximum of \$6,350,000. Under the Restated Security and Loan Agreement, System 99 presently has outstanding borrowings of \$6,027,101.

The proposed new loan agreements provide for total borrowings of up to a maximum of \$8,000,000, with \$6,027,101 to be immediately used to pay off the balance due under the existing Restated Security and Loan Agreement with the Bank. System 99 also will be provided with needed additional financing of up to \$1,972,899 under the proposed new loan agreements.

The proposed new loan agreements will be secured by the same revenue and terminal equipment and trade receivables as is the collateral for the existing Restated Security and Loan Agreement.

In addition, Security Pacific Business Credit (SPBC) will be given a security interest in all the other personal properties of System 99, i.e., operating supplies, notes receivable, and intangible assets. Further, the loan by SPBC will be guaranteed by Trans Western Express, Inc., a wholly owned subsidiary of System 99, which guarantee will be secured by secondary deeds of trust on certain real properties.

The term loan from SPBC provides for repayment of the \$4,000,000 over 72 months, plus interest payable monthly on the unpaid indebtedness at a rate of prime plus 2-1/2%. The receivable line of credit by the Bank provides for interest payable monthly on the outstanding indebtedness at a rate of prime plus 1-3/4%. Principal payments are required to be made to the Bank only if and when the outstanding borrowings exceed 80% of System 99's eligible trade accounts receivable.

Because of a significant increase in System 99's trade accounts receivable (an increase from \$4,921,711 at December 31, 1982 to \$6,930,766 at May 31, 1984), plus a smaller profit in 1983 than projected, and a larger loss than projected during the first five months of 1984, System 99 states that its cash position has become critical. In addition, System 99 states that it has been unable to meet the principal payment terms of its existing Bank agreement, which has caused an event of default under the Bank agreement.

The purpose of these new loan arrangements are to provide financing for the approximate \$2,000,000 increase in System 99's trade accounts receivable during 1983 and 1984. This financing will provide System 99 with capital to cover its day-to-day working cash requirements. In addition, these new loan arrangements will allow System 99 to cure the current events of default under the existing Bank agreement.

The Commission's Revenue Requirements Division has reviewed the application and has no objection to System 99 entering into the new loan agreements.

System 99 alleges that an emergency need exists for the approval of the new loan agreements since it does not have sufficient cash to meet its current operating expenses. As a result of an approximate two million dollar increase in accounts receivable, System 99 alleges that it will be unable to pay amounts currently due and owing for union health and welfare benefits for the month of June, it cannot cure the default under the existing \$6 million loan agreement to Security Pacific National Bank or meet its payroll obligations for July. Funds to meet these needs will become available to System 99 as soon as it secures the necessary loan approval from this Commission.

Notice of this matter did not appear on the Commission's public agenda as required by the Government Code, however, under the facts stated above there is a sufficient emergency to act today without public notice under the provisions of Public Utilities Code Section 306(b). We caution System 99 however, that we do not take this action lightly and that in the future it should file its applications sufficiently in advance to preclude the necessity of acting without public notice.

Findings of Fact

1. System 99, a California corporation, is both certificated and permitted as a highway carrier of property subject to the jurisdiction of this Commission.

2. System 99 has an immediate critical need to enter into the new loan agreements.

3. System 99 proposes to enter into two loan agreements, one agreement with Security Pacific National Bank for a maximum receivable line of credit of \$4,000,000, and another agreement with Security Pacific Business Credit, Inc. for a term loan of \$4,000,000.

4. System 99 will continue to pledge its equipment and accounts receivable as security for the repayment of amounts borrowed under these loan agreements, as well as granting security interests in all its other personal properties. In addition, a

wholly owned subsidiary of System 99 will guarantee one of the loans and will grant security interests in certain of its real properties.

5. There is no known opposition and no reason to delay granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.
2. The application should be granted to the extent set forth in the order which follows.
3. The following order should be effective on the date of signature to permit System 99 to proceed expeditiously to obtain necessary cash for immediate working capital needs.

The authority granted by this decision is for the purpose of this proceeding only and is not to be construed as indicative of amounts to be included in proceedings of the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. On or after the effective date of this order and on or before December 31, 1984, for the purpose specified in the application, System 99 may enter into, issue, and deliver to Security Pacific National Bank a Security and Loan Agreement which is substantially similar to that which is shown as Exhibit B to the application, which agreement is to be secured by System 99's accounts receivable.
2. On or after the effective date of this order and on or before December 31, 1984, for the purpose specified in the application, System 99 may enter into, issue and deliver to

Security Pacific Business Credit, Inc. a Loan and Security Agreement which is substantially similar to that which is shown as Exhibit A to the application, which agreement is to be secured by all of System 99's personal properties and is to be guaranteed by a wholly owned subsidiary of System 99, to include security interests in certain real properties.

3. The application is granted as set forth above.

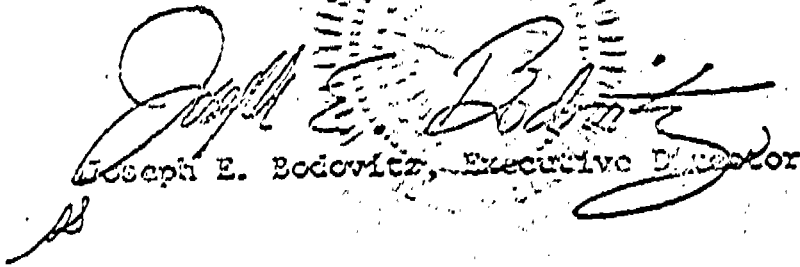
This order is effective today.

Dated JUL 2 1984, 1984 at San Francisco,
California.

LEONARD M. GRIMES, JR.
President

VICTOR CALVO
FRISCILLA C. GREW
DONALD VIAL
WILLIAM T. BAGLEY
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.


Joseph E. Bodovitz, Executive Director