

**ORIGINAL**

Decision 83 09 039 SEP 7 1983

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
System 99 for Authority to enter )  
into a restated security and credit )  
agreement secured by its accounts )  
receivable and equipment and for )  
authority to issue a preferred stock )  
warrant and to issue shares of )  
preferred stock. )

Application 83-08-24  
(Filed August 8, 1983)

O P I N I O N

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

1. To enter into a Restated Security and Loan Agreement (Agreement) secured by System 99's accounts receivable, retroactive to December 31, 1982;
2. To issue a Preferred Stock Warrant to the Security Pacific National Bank, on or before December 31, 1983; and
3. To issue shares of its Non-Voting Preferred Stock in exchange for the Preferred Stock Warrant on or before December 31, 1998.

Summary of Decision

This decision grants System 99 the authority requested in its application.

Notice of the filing of the application appeared on the Commission's Daily Calendar of August 11, 1983. No protests have been received.

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.

System 99 operates approximately 2,600 units of revenue equipment over approximately 25,000,000 miles annually, and has 32 freight terminals of which 15 are in California. Its consolidated operating revenues and net loss before extraordinary income item of \$5,400,000 for the year ending December 31, 1982 were \$60,000,000 and (\$3,923,536), respectively.

System 99's Consolidated Balance Sheet as of December 31, 1982 appears in the application as Attachment 6 summarized as follows: ✓

<u>Assets</u>	<u>Amount</u>
Net Property and Equipment	\$13,819,093
Intangible Property and Investment	3,390,996
Current Assets	7,067,474
Deferred Debits	<u>35,219</u>
Total	\$24,312,782
 <u>Liabilities and Equity</u>	
Common Equity	\$ 37,873
Long-Term Debt	10,679,064
Subordinated Indebtedness	951,726
Current Liabilities	12,426,569
Deferred Credits	<u>217,550</u>
Total	\$24,312,782

On April 29, 1980, the Commission approved System 99's entering into an Amended and Restated Credit Agreement with Security Pacific National Bank (Bank) for a line of credit up to a maximum of \$25,000,000. Under the Amended and Restated Credit Agreement, System 99 presently has outstanding borrowings of \$11,602,661.

System 99 has entered into a Debt Restructure Agreement with the Bank, the consummation of which is subject to obtaining necessary regulatory authority for the following:

1. To enter into the proposed Agreement with the Bank with a retroactively effective date of December 31, 1982;
2. To issue a Preferred Stock "Warrant" to the Bank to purchase shares of System 99's new Non-Voting Preferred Stock; and

3. To issue Preferred Stock in the future upon the exercise of the Warrant.

In summary, the debt restructuring provides for \$6,000,000 of System 99's debt to the Bank to be cancelled in exchange for the issuance of a Warrant, to the Bank, to purchase shares of a new class of Non-Voting Preferred Stock to be authorized by System 99. The Preferred Stock Warrant or "exercised" Preferred Stock is to have a redemption value of \$6,000,000 plus dividends and a 5% redemption premium and reduces the balance of the outstanding borrowings from \$11,602,661 to \$5,602,661 after the cancellation of the \$6,000,000.

The proposed Agreement allows for additional borrowings by System 99 in addition to the outstanding balance of \$5,602,661 of approximately \$747,000 through December 31, 1983, which will bring the total outstanding borrowings by System 99 subject to the Agreement to about \$6,350,000. Commencing in January, 1984, the total of the outstanding loan shall be repaid in 60 equal monthly payments. Interest will be payable monthly based on a fluctuating rate equal to 1.25% in excess of the Bank's prime rate.

The proposed Agreement will be secured by the same revenue and terminal equipment and trade receivables, as is the collateral for the existing Amended and Restated Credit Agreement.

Because of severe operating losses in 1981 and 1982, plus high rates of interest, System 99 has been unable to meet the principal and interest payment terms of its existing Agreement. In addition, it is not in compliance with the financial covenant requirements of the Agreement. The purposes of this debt restructuring and loan agreement amendments are to substantially reduce System 99's immediate interest and debt amortization burdens, and to remove the credit agreement conditions causing System 99's events of default.

The Commission's Revenue Requirements Division and Transportation Division have reviewed the application and have no objection to System 99 restructuring its bank loan agreement. The Revenue Requirements Division recommends that System 99's request be granted. ✓

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 need for restructuring its bank loan agreement terms and conditions.
3. System 99 proposes to enter into an Agreement, with the Bank, which will provide for maximum outstanding borrowings of \$6,350,000, and which will have a retroactively effective date of December 31, 1982.

4. System 99 will continue to pledge its equipment and accounts receivable as security for the repayment of amounts borrowed under this restated loan Agreement.

5. The rates to be charged System 99 for amounts borrowed, which will be 1.25% in excess of prime, are reasonable.

6. The proposed Agreement, the issuance of the Preferred Stock Warrant, and any subsequent issuance of Preferred Stock are not adverse to the public interest.

7. 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 order which follows.

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 for the determination of just and reasonable rates.

The following order should be effective on the date of signature to permit System 99 to proceed with the restructuring of its long-term debt expeditiously.

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, 1983 for the purpose specified in the application, System 99 may enter into, issue, and deliver to Security Pacific National Bank (the Bank) the Restated Security and Loan Agreement (Agreement) shown as Attachment 3 to the application, which Agreement is to have a retroactively effective date of December 31, 1982 and secured by System 99's accounts receivable.

2. On or after the effective date of this order and on or before December 31, 1983, for the purpose specified in the application, System 99 may issue and deliver to the Bank the Preferred Stock Warrant as described in Section 5 of the Debt Restructure Agreement shown as Attachment 2 to the application.

3. On or after the effective date of this order, and on, or before, December 31, 1998, for the purpose specified in the application, System 99 may issue shares of its Non-Voting Preferred

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Stock upon the Bank exercising the Preferred Stock Warrant as provided for in Section 5 of the Debt Restructure Agreement shown as Attachment 2 to the application.

This order is effective today.

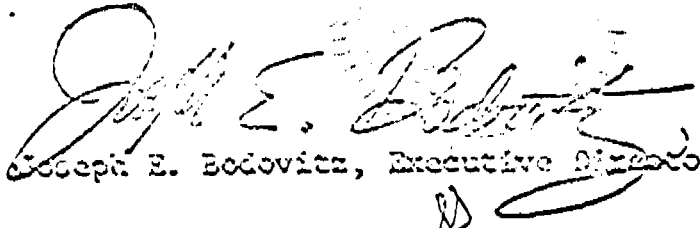
Dated SEP 7 1983, at San Francisco, California.

Commissioner William T. Begley  
being necessarily absent, did  
not participate.

LEONARD M. GRIMES, JR.  
President

VICTOR CALVO  
PRISCILLA C. GREW  
DONALD VIAL  
Commissioners

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

  
Joseph E. Bodovitz, Executive Director