

Decision 93280 JUN 2 1981

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of CONDOR FREIGHT LINES, INC., a )  
California Corporation, to issue )  
promissory note pursuant to Sec- )  
tion 818 of the California Public )  
Utilities Code, and to encumber )  
certain proper [sic] and equip- )  
ment pursuant to Section 851 of )  
the California Public Utilities )  
Code. )

Application 60413  
(Filed April 1, 1981)

O P I N I O N

Condor Freight Lines, Inc. (Condor) requests authority under Sections 816 through 830 and 851 of the Public Utilities Code, for the following:

1. To issue and sell its promissory notes (Notes) in the aggregate principal amount of up to \$75,000,
2. To pledge its accounts receivables, and
3. To encumber certain operating assets of the carrier.

Notice of the filing of the application appeared on the Commission's Daily Calendar of April 3, 1981. No protests have been received.

Condor, a California corporation, operates as a certificated highway common carrier of general commodities granted under Section 1063.5 of the Public Utilities Code, effective April 30, 1980, in GC-4079 under file T-108065.

For calendar year 1980, Condor reports in its Income Statement, attached to the application as part of Exhibit B, that it generated total operating revenues of \$4,961,164 and net income of \$42,036.

Also shown as part of Exhibit B is Condor's Balance Sheet as of December 31, 1980, and summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Property and Equipment	\$ 691,480
Other Assets	69,797
Current Assets	543,112
Prepaid Expenses	47,978
Total	<u>\$1,352,367</u>
<u>Liabilities and Equity</u>	
Common Equity	\$ 6,285
Long-Term Debt	513,424
Current Liabilities	832,658
Total	<u>\$1,352,367</u>

Condor proposes to issue and sell its Notes in the aggregate principal amount of up to \$75,000 to First Commercial Finance (FCF) of Los Angeles. Condor proposes to enter into a Financing Agreement (Agreement) with FCF to pledge Condor's accounts receivable to establish a line-of-credit and to encumber its operating equipment as security for its Notes. Copies of the proposed Notes, agreement, and supplements thereto are attached to the application as Exhibit A.

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Condor's proposed Notes will be similar in form to that shown in Exhibit A which will bear interest at a rate of 34% per annum computed on the unpaid balance. Further, the interest rate will increase by 125% for each percentage increase in the prime rate established at the time of argument.

Under the terms of the Agreement, Condor will bill its accounts receivable then release them to FCF who agrees to pay Condor 75% of the "Net amount of receivables". Condor will collect from its customers, then release the payments to FCF. These payments will apply against Condor's outstanding Note balance. A minimum payment of \$500 is required monthly. The Agreement may be canceled in writing by Condor during the first two weeks of February of each year.

As a guarantee for the payment of the Notes, Condor proposes to encumber its operating equipment listed in Exhibit C, attached to the application.

Condor states in its application that the expansion of its operations in connection with new terminals added since April 30, 1980, has created a serious cash drain on its reserves. Considering that its current long-term debt ratio is 98.8% of its total capitalization, Condor has experienced considerable difficulties in obtaining the funds necessary for its operations and states that the interest rate as shown in the Demand Note, shown as part of Exhibit A, is the best rate the company could get under the circumstances in light of its financial condition.

Condor proposes to use the net proceeds from the sale of the Notes to discharge its current obligations, for maintenance and improvement of services, and for the improvement of its facilities. As a result of the implementation of Senate Bill 860, Condor has expanded its operations by opening additional terminals in San Jose, Merced, and Escondido. The application states that the sudden expansion of Condor's operations and the operating expenses in connection with these operations have caused a serious cash drain on Condor's cash reserves. Condor states it has instituted and effected many changes and procedures to increase efficiency and to reduce expenditures. It states that curtailing these services at this time would be detrimental to its customers.

The Commission's Revenue Requirements Division has reviewed the application and Condor's cash flow position and has concluded the authority requested in the application should be granted.

Findings of Fact

1. Condor, a California corporation, operates as a certificated highway common carrier subject to the jurisdiction of this Commission.
2. The proposed Notes, pledging of Condor's accounts receivables, and encumbering of certain assets are for proper purposes.

3. The money, property, or labor to be procured or paid for by the issuance of the Notes is reasonably required for the purposes specified, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

4. 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.

The authorizations granted by this decision are for the purpose of this proceeding only and are 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 enable Condor to expeditiously issue its promissory Notes and encumbering documents.

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, 1981, for the purposes specified in the application, Condor Freight Lines, Inc. may issue and sell its promissory Notes in the principal amount of \$75,000 similar in form to that attached to the application as part of Exhibit A.

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2. On or after the effective date of this order and on or before December 31, 1981, Condor Freight Lines, Inc. may issue and deliver its security documents similar in form to those attached to the application as part of Exhibit A pledging its accounts receivables and encumbering the assets shown in Exhibit C.

3. Condor Freight Lines, Inc. shall use the proceeds from the sale of its promissory Notes for the purposes specified in the application.

4. Condor Freight Lines, Inc. shall file the reports required by General Order Series 24.

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5. This order shall become effective when Condor Freight Lines, Inc. has paid the \$150 fee prescribed by Section 1904(b) of the Public Utilities Code.

Dated JUN 2 1981, at San Francisco, California.

John E. Brown  
President  
Richard D. Howell  
Leland M. ...  
Nelson ...

Commissioners

Commissioner Priscilla C. Grew, being necessarily absent, did not participate in the disposition of this proceeding.

PUBLIC UTILITIES COMMISSION  
STATE OF CALIFORNIA  
02765  
DEC. 4 1981  
\$ 150.00  
BY [Signature]