

Decision 93823 DEC - 1981

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application)
of DELTA LINES, INC., a California)
corporation, and CALIFORNIA MOTOR)
TRANSPORT CO., a California)
corporation, for Authority to)
Issue Guarantees of Revolving)
Credit Agreements Among Meridian)
Express Company, First National)
Bank in Dallas, Texas, Commerce)
Bank National Association and)
Union Bank.)

Application 60974
(Filed October 9, 1981)

O P I N I O N

Delta Lines, Inc. (Delta) and California Motor Transport Co. (CMT), both California corporations, request authority, under Public Utilities (PU) Code Section 830, to guarantee the indebtedness of Meridian Express Company (Meridian), a Delaware corporation, under a Revolving Credit Agreement and a Line of Credit Agreement, both dated as of June 25, 1981, among Meridian; First National Bank in Dallas, Texas; Commerce Bank National Association; and Union Bank (collectively referred to as the Banks).

Notice of the filing of the application appeared on the Commission's Daily Calendar of October 14, 1981. No protests have been received.

Delta (T-17666) and CMT (T-71805) are highway common carriers operating under authorities issued under PU Code Sections 1063 and 1063.5. Both Delta and CMT are wholly owned subsidiaries of Delta California Industries (DCI), a noncarrier California corporation. Since the 1940s, Delta has been operating as an intrastate highway common carrier in California and operating as an interstate motor carrier in the western United States under authority issued by the Interstate Commerce Commission (ICC). Currently, Delta's principal operations are in interstate and foreign commerce over regular routes between the States of Washington, Oregon, California, Nevada, Arizona, New Mexico, and Texas. In addition to its California intrastate operating authorities, Delta holds intrastate authorities in Oregon and Arizona. CMT operates principally in California.

On July 1, 1981, Meridian acquired control of DCI through a merger, under an agreement whereby each of the 1,606,386 issued and outstanding shares of DCI common stock were converted into the right to receive \$13 cash. As of October 2, 1981, 1,588,080 shares had been exchanged for cash. Under the ICC's exclusive jurisdiction over the transaction under 49 USC Section 11341(a) (formerly ICC Act Section 5(2)), authority was granted Meridian for the acquisition of control of DCI by order of May 27, 1981 in

Docket MC-F-14496. On October 7, 1981, a letter was sent to Joseph E. Bodovitz, Executive Director of this Commission, advising of the consummation of all steps of the merger and requesting that this Commission's records be appropriately amended.

On June 25, 1981, as an integral part of financing the acquisition of the common stock of DCI, Meridian entered into a Revolving Credit Agreement and a Line of Credit Agreement (Agreements) with the Banks which, respectively, provide for up to \$37,000,000 and \$13,000,000 in available funds. The securities of Meridian and DCI are generally subject to ICC jurisdiction; however, the Agreements did not involve the issuance of securities as defined by the ICC. The Agreements provide the following:

1. Commit the Banks to advance to Meridian up to \$37,000,000 and \$13,000,000, respectively, with interest at the prime rate (Floating Base Rate as defined in the Agreements) plus 0.25% interest;
2. Provide for the payment of a commitment fee equal to 1% per annum, calculated on the difference between the outstanding principal obligations, and the total committed, or available, sum under the \$37,000,000 Revolving Credit Agreement, and for a Balance Deficiency Fee equal to interest on the amount by which the average daily noninterest bearing deposits at each bank is less than the average daily principal obligation to such bank under both of the Agreements;

3. Require the delivery of guarantees of the indebtedness of Meridian by each related or affiliated company; and
4. Require the payment in full of the balances under DCI's financial agreements with the Bank of America, Union Bank, and Golden State Sanwa Bank in addition to previously existing debt of Meridian with the First National Bank in Dallas and Texas Commerce National Bank Association.

Of the sums advanced under the Agreements, approximately \$21,000,000 has been devoted to payments for the exchange of shares of DCI common stock outstanding prior to the merger and \$16,750,000 was used to retire existing debt of Meridian and DCI. The remaining amounts drawable under the Agreements will be used to provide sums for additional working capital needs, such as the acquisition of operating equipment to upgrade the fleets of Delta, CMT, and Meridian's other affiliate, Merchants Fast Freight, a Texas-based carrier.

SS / The application indicates that unless the approval of this Commission is obtained with respect to the guarantees provided by Delta and CMT by January 1, 198²~~1~~, the total commitment shall end on June 1, 1982 and all sums lent under both Agreements shall become immediately due and payable. Accordingly, in order to extend the term of the loans under the Agreements beyond the 11-month period ending in June 1982, the approval of this Commission for issuance of

the guarantees under PU Code Section 830 is necessary. The required approval of a similar guarantee of Thunderbird Freight Lines, Inc. (a subsidiary of DCI) by the Arizona Corporation Commission has been obtained.

As noted, the primary purpose of entering into these Agreements was to finance the acquisition of the stock of DCI and to retire certain of DCI's existing debt. Attached to the application as Exhibit E is a summary of the obligations of DCI and its affiliated companies which were retired at the time of the merger, using the funds available under the Agreements. As can be seen from this summary, the obligations, discharged through use of a portion of the advances under the Agreements, carry interest and finance charges in excess of those under the Agreements, thereby enabling the substitution of less costly financing, backed and supported by the assets of a larger group of companies having greater assets and revenues than DCI and its subsidiaries. These less costly funds will be used to finance the needs of Delta and CMT through advances from DCI, their parent company. The loans under the Agreements will be guaranteed by a total of 17 guarantors, which, together with Meridian, had aggregate assets of \$121,729,435 at December 31, 1980, and aggregate operating income of \$21,239,637 for the 12 months ended December 31, 1980.

The consolidated capital ratios of Delta and CMT reported as of December 31, 1980 are summarized as follows:

	<u>Delta</u>	<u>CMT</u>
Long-Term Debt*	31.4%	0%
Short-Term Debt	39.5	1.0
Total Debt	<u>70.9</u>	<u>1.0</u>
Common Equity	29.1	99.0
Total	<u>100.0%</u>	<u>100.0%</u>

* A substantial portion of the debt of Delta is represented by intercompany advances.

The Commission's Revenue Requirements and Transportation Divisions have analyzed the effect of the financing provided under the Agreements upon Delta and CMT and have concluded that the funds to be provided and the guarantees to be given are required for the purposes stated in the application. These will have no adverse effect upon the continued operations of Delta and CMT or their service to the public.

The Transportation Division has reviewed the letter of October 7, 1981 from applicant's attorney in which the Commission was informed that the acquisition and control of Delta and CMT by Meridian was approved by the ICC under Docket MC-F-14496. The Transportation Division has reviewed this matter and has concluded the acquisition of control should be granted.

Findings of Fact

1. Delta and CMT, both California corporations, operate as highway common carriers under the jurisdiction of this Commission by authorities of PU Code Sections 1063 and 1063.5.

2. The issuance of the guarantees is not adverse to the public interest of California.

3. The proposed acquisition of control is subject to the exclusive and plenary jurisdiction of the ICC.

4. There is no known opposition to the application and no reasons to delay granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.

2. The application to issue guarantees of Revolving Credit and to guarantee indebtedness of Meridian Express Company by Delta and CMT should be granted to the extent set forth in the order which follows.

3. Authority for the proposed acquisition of control of Delta and CMT by Meridian Express Company should be granted.

The following order should be effective on the date of signature.

O R D E R

IT IS ORDERED that:

1. Delta Lines, Inc. (Delta) and California Motor Transport Co. (CMT), are authorized to execute and deliver separate guarantees of indebtedness of Meridian Express Company (Meridian) to the First National Bank in Dallas, the Commerce Bank National Association, and the Union Bank in the manner described in the application.

2. Meridian, a Delaware corporation, may acquire all the issued and outstanding stock of Delta and CMT, both California corporations, in accordance with Docket MC-F-14496 issued by the ICC under its exclusive and plenary jurisdiction granted by 49 USC Section 11343 (formerly ICC Act Section 5(2)).

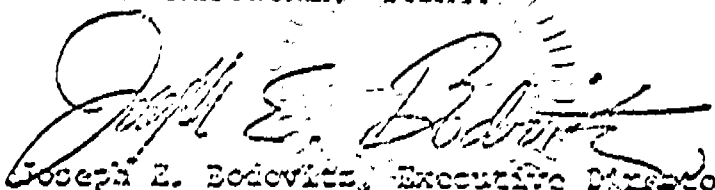
3. Within 90 days after the effective date of this order, Meridian shall notify the Commission in writing of the date on which acquisition of control was consummated.

4. This order is effective today.

Dated DEC 1 1981, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR GALVO
FRANCESCA C. CREW
Commissioners

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


Joseph E. Bodovitz, Executive Director