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OA/ID Number: 25848
Folder ID Number: 25848-009

Folder Title:
Zapata Off-Shore Company: Diversification Proposals, etc… [1956-1961]

Stack:	Row:	Section:	Shelf:	Position:
G	**5**	**1**	**3**	**3**

20500
Diversification Proposals

FISH NORTHWEST CONSTRUCTORS, INC.
PRESENT DEBT, ANTICIPATED AND IMPROVED CASH FLOW POTENTIAL
FOR OFFSHORE MOBILE, ARNOLD PIPE RENTAL AND PRODUCING PROPERTIES COMBINED

ASSET	ORIGINAL COST	DEBT	NET	ANNUAL PRO FORMA CASH FLOW PRESENT	ANNUAL PRO FORMA CASH FLOW POTENTIAL
M & H #12	$2,355,891	$1,771,490	$ 584,401	$ 383,250	$ 622,440
Arnold Pipe	2,200,000	1,043,000	1,157,000	711,728	818,528
Producing Prop.	----	----	----	279,107	324,276
TOTALS	$4,555,891	$2,814,490	$1,741,401	$1,374,085	$1,765,244

CURRENT MATURITIES

	ANNUAL FISCAL YEAR ENDING 6/30/60	ANNUAL FISCAL YEAR ENDING 6/30/61
M & H #12	$ 346,681	$ 418,560
Arnold Pipe	214,560	184,560
TOTALS	$ 561,241	$ 603,120

M & K DRILLING PLATFORM #12

PRO FORMA 12 MONTHS CASH FLOW:

	Present $3,250/Day 75% Activity	Potential $3,750/Day 90% Activity
	$ 383,250	$ 622,440

Per Day Cost Breakdown:

Labor & Supervision	$ 830
Supplies & Maintenance	255
Fuel	150
Rentals	135
Catering	230
Insurance	250
Total	$1,850

DEBT AND CURRENT MATURITIES 6/30/59:

	BALANCE	ANNUAL DEBT RETIREMENT FISCAL YEAR ENDING 6/30/60	ANNUAL DEBT RETIREMENT FISCAL YEAR ENDING 6/30/61
Bank of Southwest	$ 1,218,750	$ 237,500	$ 375,000
Supply Companies	152,740	109,181	43,560
Debentures	400,000	—	—
	$ 1,771,490	$ 346,681	$ 418,560

Construction Cost of Unit $2,355,891

ARNOLD PIPE RENTALS COMPANY, INC.

PROFORMA 12 MONTHS CASH FLOW:

	FORECASTED CASH FLOW BASED ON ACTUAL OPERATIONS APRIL - JUNE, 1959	IMPROVED ANNUAL CASH FLOW BY ADDITION OF INVENTORY
Net Income After All Expenses	$ 205,268	$ 236,058
Depreciation	506,460	582,429
Cash Flow	$ 711,728	$ 818,487

DEBT AND CURRENT MATURITIES 9/30/59

	DEBT	ANNUAL DEBT RETIREMENT FISCAL YEAR ENDING 6/30/59	ANNUAL DEBT RETIREMENT FISCAL YEAR ENDING 6/30/61
Fish Northwest	$ 447,000	----	----
Bank of Southwest	490,000	$ 180,000*	$ 180,000
Supply Companies	106,000	34,560*	4,560
Total	$1,043,000	$ 214,560	$ 184,560

Gross Assets 9/30/59 $2,200,000

* Present bank requirements are only $10,000 per month, expect to increase to $15,000 per month beginning 1/1/60. Present supply company debt retirement is $13,800 per month, reducing to $3,800 per month 1/1/60.

PRODUCING PROPERTIES

PRO FORMA 12 MONTHS CASH FLOW

	Present Rate[1]	Potential[2]
Saunders Field, Lea County, N.M.:		
Saunders "A" 4 wells, 160 acres	$242,151	$242,151
State "A" 1 well 40 acres	—	10,950
Gray "B" 1 well 40 acres	—	21,900
S.E. Houma, Terrebonne Ph., La:		
South Coast #1 well, 1,000 acres	36,956	49,275
	$279,107	$324,276

Notes:

(1) Saunders "A" based on Ralph Cummins Co., 8/19/56 study and South Coast #1 on delivery of 1.5 MMCF/day at price netting 13¢/MCF after taxes with distillate income offsetting operating costs.

(2) State "A" and Gray "B" 15 and 30 bbls/day gross production respectively after rework and South Coast #1 delivery of 2 MMCF/day.

COMBINED RESULTS OF MERGED OPERATIONS
OF ZAPATA AND FISH ON A COMPARATIVE BASIS

	ZAPATA	FISH	COMBINED
Total Assets	$ 10,000,000	$ 4,250,000	$ 14,250,000
Cash Generation	$ 2,760,000	$ 1,765,000	$ 4,525,000
Debt	$ 2,500,000	$ 2,780,000	$ 5,280,000
Debt Retirement	$ 1,060,000	$ 732,000	$ 1,792,000
No. Shares Outstanding	1,003,000	425,000	1,428,000
Cash Generation Per Share Before Debt	$2.70/share	$3.90/share	$3.15/share

ANALYSES OF PRESENT DEBT
OF ZAPATA AND FISH

ZAPATA

Debt	Present	Monthly Debt Service	Projected Cash Generation Monthly	Net After Debt Service Monthly
Bank	$ 1,500,000	$ 44,000		
Magnolia	405,000	24,000		
Supply Cos.	540,000	20,000		
Total	$ 2,445,000	$ 88,000	$ 232,000	$ 144,000

FISH

Debt	Present	Monthly Debt Service	Projected Cash Generation Monthly	Net After Debt Service Monthly
Bank	$ 1,218,000	$ 31,250*		
Bank	490,000	15,000		
Supply Cos.	153,000	16,000**		
Supply Cos.	106,000	3,800***		
Debentures	400,000	---		
Fish Northwest Notes	447,000	---		
Total	$ 2,814,000	$ 56,050	$ 147,000	$ 91,000
TOTAL	$ 5,262,000	$144,050	$ 379,000	$ 235,000

* Bank debt beginning 1/15/60 will require monthly payment of $31,250 for 24 months at end of which time there will be $468,000 balloon note to be refinanced.

** Supply company note obligations beginning 1/15/60 requires monthly payment of $16,000 for 9 months.

*** Supply company notes require payment of $13,800 per month through December 1959 after which reduces to $3,800 per month for 8 months.

FISH - ZAPATA
COMBINED CASH FLOW AFTER REFINANCING BEFORE AND AFTER DEBT SERVICE AND COMBINED BALANCE SHEET DATA

PLAN NO. 1

	ZAPATA MONTHLY	FISH MONTHLY	TOTAL MONTHLY	ANNUAL
Combined Cash Flow	$232,000	$147,000	$379,000	$4,548,000
Debt Service After Refinancing - Plan 1	44,000	50,000	94,000	1,128,000
Net Cash Flow After Debt Service	$188,000	$ 97,000	$285,000	$3,420,000

No. Shares Outstanding After Refinancing	1,169,222
No. Shares Outstanding and Reserved for Conversion	1,419,222
Cash Flow per Share on Shares Outstanding	$3.89/Share
Cash Flow per Share on Shares Out and Reserved	$3.23/Share

TOTAL FINANCING REQUIREMENTS FOR FISH AND ZAPATA COMBINED

PLAN NO. 1

Cash Through Sale of Debentures:		
To Retire Fish Debt	$ 1,000,000	
To Retire Zapata Bank Loan	1,500,000	
Total		$ 2,500,000*
Assumption of Debt of Fish:		
Bank #1	$ 1,218,750	
Bank #2	490,000	
Supply Companies #2	106,000	
Total		$ 1,814,750
Issue Stock to Fish for Balance of Sales Price		$ 1,436,000
Assume Stock @ $9 = 166,222 shares		
Total		$ 5,750,750

* Assume convertible debenture to be issued; conversion at say $10.00 per share; stock required 250,000 shares.

Total Stock Shares Required:

Fish	166,222
Debentures	250,000
Total	416,222

SUGGESTED REFINANCING
OF ZAPATA DEBT

PLAN NO. 1

	Present Debt	Debt to be Assumed	Debt to be Retired	Monthly Debt Retirement
Bank	$ 1,500,000		$1,500,000*	
Magnolia	405,000	$ 405,000		$ 20,000
Supply Co	540,000	540,000		24,000
Total	$ 2,445,000	$ 945,000	$1,500,000	$ 44,000

* It is assumed that bank has mortgage on all equipment plus gas properties and that supply company and Magnolia have chattel mortgage on tenders only.

SUGGESTED REFINANCING
OF FISH DEBT IN ZAPATA

PLAN NO. 1

	Present Debt	Debt to be Assumed	Debt to be Retired	Remaining Debt Service(Monthly)
Bank #1	$ 1,218,750	$1,218,750		$ 31,250*
Bank #2	490,000	490,000		15,000**
Supply Cos.#1	152,740		$ 152,740	
Supply Cos.#2	106,000	106,000***		3,800***
Debentures	400,000		400,000	
Fish Note	447,000		447,000	
	$ 2,814,490	$1,814,750	$ 999,740	$ 50,050

* Bank Debt #1 requires monthly payment of $31,250 beginning 1/15/60 for 24 months with balance of $468,000 to be refinanced at end of 24 months.

** Present bank loan requires only $10,000 per month but expect to revise at 1/1/60 to $15,000 per month.

*** Supply company debt will be reduced to $65,000 in December 1959. Payment on balance at $3,800 per month for 18 months.

Diversification Proposals etc.

TO: Frank Allen DATE: March 20, 1961

FROM: George Bush

Neil Mallon sent me the attached letter. My question is this, what is the difference discounting $4 million future revenue at 5% or at 6%, using the PLI projections. Howard Duke has these projections and has the work which you did on this in the past. I do not need exact figures but I would like to know roughly how many dollars difference there is if we use a 5% discount factor instead of a 6% discount factor. Please get the material from Duke so that you can get me the dope on this.

GHWB/vf

DRESSER INDUSTRIES, INC.
REPUBLIC NATIONAL BANK BUILDING
DALLAS, TEXAS

H. N. MALLON
CHAIRMAN OF THE BOARD

March 14, 1961

Mr. George H. W. Bush
Zapata Off-Shore Company
1701 Houston Club Building
Houston 2, Texas

My dear George:

After reading your letter of March 10 in regard to the P.L.I. approach, I recall that we sold the Bourg property in southern Louisiana under an advance commitment by both parties to abide by the reserve figures determined in the following manner. The buyer and the seller would each engage an engineer to make the reserve study. These two engineers would select a third engineer and the team of three would determine the future income by years that the property would produce. Each party would pay for its own engineer and would split the cost of the third mediator.

Since Howard Cole has already adopted this method and since on a former occasion it worked out satisfactorily both to us and the purchaser, I believe it would be easy for Mr. Cole to agree to the plan once again. Would you accept this evaluation method?

After the future net operating revenue is determined by the committee of three, I suggest that it be discounted down to the present value at a 5% per annum rate instead of the 6% mentioned in your letter of March 10. This also coincides with

PHONE CENTRAL 1-3000

FRANK X. KEANEY

G. H. WALKER & CO.
MEMBERS NEW YORK STOCK EXCHANGE

ST. LOUIS
BROADWAY & LOCUST

STIRTON B. PARKER
VICE PRESIDENT

MANDREL INDUSTRIES, INC.

Send tax depreciation figures to

Mr. Frank Keaney
G.H. Walker & Co.
503 Locust
St Louis, Mo.

Send valuation of reserves

G & H. Walker -- St. Louis

Mr. Parker
George Newton Walker Partner
Bert Walker
4 to 1 trade

Frank Keeney -- analyst for Walker
Broadway & Locust

Wednesday

GHWB
Yale Club Tuesday

Little Office Wednesday

MANDREL INDUSTRIES, INC
1960 ESTIMATES
INCLUDE DECEMBER ESTIMATE AND
SUBJECT TO AUDIT ADJUSTMENTS

INVENTORY WRITE-OFF; BOOKS IN 1959 ($70,000); TAX IN 1960

CAPITAL GAINS WIPED OUT BY A CAPITAL LOSS CARRIED FORWARD; MANDRELL C.I.E FRANCE; ELEXSO IS A PANAMANIAN CORP. PLAN TO USE FOR EXPANSION OVERSEAS SO NO TAX.

DEPRECIATION AND AMORTIZATION INCREASED FROM $500,000 TO $700,000.

BOOK VALUE: YES CONVERTED PLUS ½ UNDECIDED EQUALS
2/3 SALES 25% PURCH ORDERS 25% YES REVIEWED BALANCE

$6 086 000	LONG-TERM CONTRACTS RECEIVABLE 3-7 YEARS*
6	BOOK VALUE
$54	ADDED
1 367 000	CAPITAL GAINS
$4 099 000	

* NOT DISCOUNTED. GROSS REVENUE ABOUT SAME OVER THE CONTRACTS. SHOULD BE DISCOUNTED NET OF TAX PROBABLY NOT MORE THAN $3,300,000 - $3,400,000

DECISION TO SELL NEW SORTING EQUIPMENT

		SALES	COSTS	DEPRECIATION	NET BEFORE TAXES
	HOUSTON	$5650			$800 000 *
GRL	ST LOUIS	1800			200 000
MEG	BURBANK	1000			-0- **
	ALEXSO	3000			500 000
	MAND CIE	1450			150 000
	CALGARY	700			100 000
		13 600			1 750 000
	INTER COMPANY	(1 000)	(1 000 000)		-0-
		12 600		700 000	1 750 000

TAX $650,000

UP CONSIDERABLY--NOW OUT OF WOODS

400 @ $7500 EACH
POLICY 10% PROFIT 1959 NEW OPERATION
$300,000 NEW BUSINESS SEISMIC SALES AND REPAIR

* SEISMIC 10% AND FEWER MACHINES BUILT FOR FOREIGN SUBSIDIARY AT A LOW PROFIT MARGIN. NEW FACTORY IN FRANCE AUGUST 1960.
** MOVE TO SEATTLE AND CLOSE BURBANK; STILL LOSING $70,000 PER MONTH SO WILL MOVE PART NEAR BOEING WHO IS LARGEST CUSTOMER; MUST SUBLEASE OR SELL BUILDING. BALANCE TO HOUSTON. CANNOT SELL DESPITE EFFORTS.

ZAPATA OFF-SHORE COMPANY
INFORMATION DESIRED

1. Divisions of the company -- figures

2. Capital gains exclusion from the figures

3. Casualty losses

4. Depreciation adjustment

5. Problems of handling small blocks of stock and debentures -- watch for adjustments -- watch for effect.
   Will not back off from 4 to 1 ratio
   34,000 shares after option and debenture 29,000 now
   2500 3000 (GW Curtis)

6. Present bid for Mandrel (13 - 13½)

7. Suggested (implicit) that GH Walker & Co. buy shares and get 4 for 1. (Had no objection per Parker)

8. Lowe 104,000 shares can be had up until Feb 15

9. Mandrel buy stock and retire prior to consummation of an underwriting arrangement to market the stock. Lowe must be registered, probably. 51 days at least; probably 60 days to clear.

10. Depreciation rates on various properties; must be stated on about same conservative basis.

11. $1,425,000 cash flow for 1960.

12. FUTURE FEDERAL INCOME TAX BENEFIT

13. $17.40 BOOK VALUE

	ZAPATA	MANDREL
1961 NET INCOME BEFORE TAXES	1100000	1750000
	900000	

MANDRELL BOOK VALUE ADDITION FOR LEASE CONTRACTS ON MACHINES —

MANDREL CALCULATION (2/3 WITHOUT DISCOUNT TO PRESENT VALUE)
4099000 — DISCOUNTED AT 10 PER CENT (\$600,000
@ 4.868 — \$3,000000) ALLOWS 25 % TAXES

ALLEN CALCULATION (\$6,000,000 = 2/3 ; \$9,000,000 = 3/3
REDUCTION TO 89 % = \$8,000,000)

	GROSS	PRESENT VALUE
AT 25 % TAX RATE ①	6000000	\$4150000
AT 50 % TAX RATE ②	4000000	\$3000000

① CAPITAL GAINS RATE NOT AVAILABLE TO ZAPATA WHILE TAX LOSS CARRY FORWARD EXISTS

② LEASE PURCHASE AGREEMENTS SOMETIMES END UP AS ORDINARY INCOME; PRESENT PROPOSALS WOULD STOP CAPITAL GAINS TREATMENT FOR BUSINESS PROPERTY; WOULD THEN HAVE TO FOREGO INSTALLMENT PAYMENTS OF TAX AND ADVANCE TAX MONEY OR HAVE LOSS CARRY FORWARD ABSORB VALUATION.

Had Mag broken even 'd have made nothin 60¢

1. **Per Share Net Earnings After Taxes**

	1960	1959	1958	1957	1956	Five Year Average
Mandrel	1.25	1.01	.03	.63	.23	.63
Zapata	.10	.02	(.52)	.77	.43	.16

2. **Cash Earnings**

	1960	1959	1958	1957	1956	Five Year Average
Mandrel	2.40	2.36	1.68	1.79	1.28	1.90
Zapata	1.70	1.29	.73	2.52	1.24	1.50

3. **Present Book Value Per Share**

Mandrel 17.40 < represent sale of sort machines - adj to sale - take into consider. taxes.
Zapata 4.76

4. **Book Value of Combined Company on 4-1 Basis After Retirement of 135,000 shares of Mandrel Stock Acquired by Zapata at $14 per share -- $4.65 per share.**

@ 14

Total Net Worth		$13,236,000.00	
Total Shares:			
Mandrel	65%	1,840,312	
Zapata	35%	1.006,337	2,846,649
Book Value Per Share - $4.65			

5. **Earnings Per Share Based Upon Above Number of Shares**

1960	.36	
1961	.50	- $1/2 Mandrel 300,000 Zap

1.30 per share c. flow

6. **Borrowing Power** (000 omitted)

	Collateral Base	Allowable Borrowing
Leases	3,000	
Add Sales Commitments	6,086	
	9,086	
Less Lease Bases Eliminated	2,000	
	7,086	
75% loan formula		5,300 (Borrowing Power on domestic sales & leases)
Elexso	1,700	
50% loan formula		850
		6,150
Less Present Loan		2,500
Net Remaining Potential Borrowing Power		3,650

only 75,000 shares - float supply

MANDREL INDUSTRIES, INC. and SUBSIDIARY COMPANIES

Consolidated Profit and Loss Statement

October 1960 and Year to Date

	October	Year to Date	12 mos*
NET REVENUES			
Sales	$ 876,758	$8,395,039	10,100
Rentals	137,245	1,343,151	1,600
Total Net Revenues	1,014,003	9,738,190	11,700
COST OF SALES	656,183	6,408,272	7,700
Gross Profit	357,820	3,329,918	4,000
EXPENSES			
Selling	113,177	1,202,634	1,400
General & Administrative	82,729	908,934	1,100
Engineering	30,780	286,437	300
Total Expenses	226,686	2,398,005	2,800
Operating Income	131,134	931,913	1,200
OTHER CHARGES			
Interest, etc., Net	18,552	199,787	250
Amortization of Future Federal Income Tax Benefit	5,833	58,334	—
Amortization of Employment Contracts & Goodwill	4,007	40,073	150
Provision for Anticipated Future Costs - Burbank	-	49,894	
Total Other Charges	28,392	348,088	400
Net Profit before Income Taxes	102,742	583,825	800
Provision for Income Taxes	-	37,000	400**
NET PROFIT AFTER INCOME TAXES	$ 102,742	$ 546,825	400

Note: Depreciation included in above:
October $ 50,212
Year to Date 475,431
1960 # 575,000

Most of this apparently ends in 1960

* Projection not conservative and excludes year-end adjustments.

Cash flow for year

Net	400
Taxes not payable currently	300
Depreciation	600
	1,300

** At 50%. Full tax provision would probably be an [illegible]

MANDREL INDUSTRIES, INC. and SUBSIDIARY COMPANIES

Consolidated Balance Sheet

October 31, 1960

ASSETS

CURRENT		
Cash		$ 419,508
Accounts Receivable - Net		2,224,208
Inventories		3,633,616
Prepaid Expenses		169,108
		6,446,440
FIXED		
Land	$ 45,000	
Buildings and Leasehold Improvements	227,855	
Machinery and Equipment	1,835,357	
Rental Sorting Machines	3,111,767	
Other Rental Equipment	228,891	
	5,448,870	
Less Accumulated Allowance for Depreciation	2,832,973	2,615,897
OTHER		
Investment in Procedes ETL	79,044	
Accounts and Notes Receivable - over 1 year	1,032,936	
Employment Contracts and Goodwill	126,444	
Other	34,881	1,273,305
		$10,335,642

LIABILITIES

CURRENT		
Accounts Payable		$ 698,353
Accrued Expenses		476,762
Current Maturities - Notes Payable		163,670
Reserve for Income Taxes		62,770
		1,401,555
OTHER LIABILITIES		
Revolving Credit Loan Payable (Note 1)	$2,288,215	
5-1/2% Subordinated Convertible Debentures	1,200,000	
Accrued Commissions Payable - over 1 year	198,573	3,686,788
DEFERRED RENTAL INCOME & DEPOSITS ON CONTRACTS		331,919

CAPITAL

NET WORTH		4,915,380
(Common stock issued -	531,765 shares)	
Less Treasury stock	12,247 shares	
Shares Outstanding	519,518	
		$10,335,642

Note 1: Revolving Credit Loan reclassified under "Other Liabilities" in accordance with advice from Price Waterhouse and Company.

January 19, 1961

Mr. Frank X. Keaney
G. H. Walker & Co.
503 Locust
St. Louis, Mo.

Dear Frank,

I enclose the following schedules for your information:

1. Depreciation per income tax return
2. Stockholders' equity

Item 2 corrects the schedule I prepared for you yesterday. I mistakenly omitted to restate Zapata's producing gas properties in terms of current market value.

I enjoyed working with you and thank you for the courtesies extended me by you, Mr. Walker and Mr. Newton.

Very truly yours,

ZAPATA OFF-SHORE COMPANY

Frank

Frank M. Allen
Treasurer

FMA:bw

New File ZOS Co. "Diversification proposals" etc.

H. N. MALLON
CHAIRMAN OF THE BOARD

DRESSER INDUSTRIES, INC.
REPUBLIC NATIONAL BANK BUILDING
DALLAS, TEXAS

August 31, 1960

Mr. Frank Allen, Controller
Zapata Offshore Company
1701 Houston Club Building
Houston 2, Texas

Dear Sir:

The suggestions that I am making below are completely unofficial and are made to you in an effort to advance a Petroleum Leaseholds, Inc. and Zapata Offshore Company merger.

Before you conclude your analysis of the values of the net assets of Petroleum Leaseholds, Inc., you may wish to exclude from consideration these accounts:

1.	Non producing leaseholds (all except those held in connection with proven acreage and royalties)	$ 80,721
2.	Platform Launching Barge	52,843
3.	Office Furniture and fixtures	16,082
4.	Automobiles	14,422
5.	Petroleum Offshore Leaseholds Inc., Investment	100,002

August 31, 1960

6.	Note payable to Petroleum Offshore Leaseholds, Inc.	(60,000)
	Total	$204,070

The above are listed at net book value and if Zapata Offshore Company wants to include any of them in its offer, it would receive at least that much, perhaps more. The deal will be simplified if the number of excluded assets are as few as possible. The assets you do not want could be transferred to Petroleum Offshore Leaseholds, Inc. prior to the Zapata trade, thus permitting Zapata to offer its stock for all assets remaining in Petroleum Leaseholds, Inc. which is necessary for a tax free transaction. This would relieve Zapata Offshore Company of having to determine the speculative values in Petroleum Offshore Leaseholds, Inc., the undeveloped leases, and the platform launching barge, etc.

After this simplification of the Petroleum Leaseholds Inc. balance sheet you will find that the relative values of Zapata and Petroleum Leaseholds, Inc. to be somewhere around 6 to 1.

Following this suggestion of eliminating some of Petroleum Leaseholds assets would enable Zapata Offshore Company to receive Petroleum Leaseholds, Inc. in the financial condition represented by a balance sheet guaranteed against undisclosed liabilities. There would be no obligation to validate any employment contracts and Zapata should be free to take or reject any members of the Petroleum Leaseholds, Inc. organization.

Our proposed exchange of 6 for 1 could be made contingent upon an engineering survey, to be paid for by Zapata, made by DeGoyler and MacNaughton, or any other firm selected by Zapata, which survey shall indicate reserves reasonably close to the reserves reported to the stockholders of the Petroleum Leaseholds, Inc.

The Zapata Offshore Company offer should be firm to all stockholders of Petroleum Leaseholds, Inc. provided 75% of Petroleum Leaseholds, Inc. stock agrees to the exchange. If more than a fourth prefers to hold Petroleum Leaseholds, Inc. stock, then Zapata should be free to withdraw from the deal.

Another consideration is that Petroleum Leaseholds Inc. has a rather large operating loss carry forward credit. You may be able to utilize this in some manner to control Zapata's income taxes.

Very truly yours,

L. D. Gibbons
Accountant to Mr. Mallon

cc to: Mr. George H. W. Bush

August 20, 1959

INDUSTRIAL TOWEL & UNIFORM CO

Houston 10, Texas
1335 Kress St.

William D. Hawkins, President
Elizabeth B. (Mrs. W. D.) Hawkins, Secretary
H. M. Bixby, Vice President
George E. Mallouk, Treasurer
DIRECTORS: The Officers

RATING: - Also Beaumont

STARTED: 1951

PAYMENTS: Discount and Prompt
SALES: Est. Excess of $500,000

SUMMARY

Operating Capital is apparently adequate to maintain faborable trade record. Expanding volume reportedly handled.

HISTORY

Corporation, chartered under Texas laws, July 31, 1951, as Industrial Towel Service Company (Inc). January 22, 1954, name changed by charter amendment to Industrial Towel & Unitofm Co., (Inc). Authorized capital stock $40,000, consisting of 1,000 shares Class A., In stock $30 par value each, and 1,000 shares Class B., common stock $10 par value. All of the stock was subscribed, and paid in on date of corporation. Charter amendment of July 21, 1958, Increased stock to $200,000 of 4,000 shares, par value $50.

This business was started by Marion F. Anderson, in 1935, who operated individually, until incorporating March, 1950, as Industrial Towel Service Co., (Inc). Texas corporation, authorized capital 50,000 shares, no par value stock. On July 25, 1951, that corporation was dissolved and August 1, 1951, it was succeeded by the subject corporation.

Records of Harris County Court show a bill of sale filed on August 6, 1951, docket #907729, with the sale dated August 1, 1959, showing Marion F. Anderson, Sr. selling to the Industrial Towel Service Co. the business, at 4802 Clinton Drive, for consideration, of $110,000 in cash, and whereby Industrial Towel Service Co., would assume chattel mortgage, indebtedness of $43,794.

William D. Hawkins, born 1911, New York City, married. Graduate of Princeton University, class of 1934. Hawkins has stated that he was employed for five years by General Motors Acceptance Corporation, New York City, New York. Served in the U.S. Armed Forces, for five years, receiving discharge in 1945, rand of full Colonel. Then employed by Callaway Mills, operating the Alta Industrial Service Plant, at Woodridge, New Jersey, for

August 20, 1954

INDUSTRIAL TOWEL & UNIFORM CO   Houston 10, Texas,
                                        1225 Stone St.

William D. Hopkins, President   W. M. Kirby, Vice President
Elizabeth S. Hand, [illegible] Assistant Secretary   George M. Hopkins, Treasurer
DIRECTORS: The officers.

RATING: [illegible]

STARTED: 1951   TRADE-STYLE: [illegible]
                        LINE: [illegible] of $200,000

SUMMARY

Operating capital is apparently adequate to maintain [illegible] trade [illegible], expanding volume reportedly [illegible].

HISTORY

Corporation, chartered under Texas laws, July 26, 1951, as Industrial Towel Service Company (Inc); February 24, 1954, name changed by charter amendment to Industrial Towel & Uniform Co., (Inc). Authorized capital stock $40,000, consisting of 1,000 shares Class A, common stock $30 par value each, and 1,000 shares Class B, common stock $10 par value. All of the stock was subscribed, and paid in at date of incorporation. Charter amendment of July 21, 1954, increased stock to $200,000 of 4,000 shares, par value $50.

This business was started by Morton [illegible] Anderson, Jr. in 1946, who operated individually, until incorporating March 1950, as Industrial Towel Service Co. (Inc), Texas corporation, authorized capital 50,000 shares, no par value stock. On July 25, 1951, that corporation was dissolved and August 1, 1951, it was succeeded by the subject corporation.

Records of Harris County Court [illegible] bill of sale filed on August 3, 1951, [illegible], with the sale dated August 1, 1951, showing Morton [illegible] Anderson, Jr. selling to the Industrial Towel Service Co., the business at 4503 [illegible], for consideration of $110,000 in cash, and thereby Industrial Towel Service Co. would assume chattel mortgage indebtedness of [illegible].

William D. Hopkins born 1911, New York City, married. Graduate of Princeton University, class of 1934. [illegible] he was employed for five years by General Motors Acceptance Corporation, New York City, New York. Served in the U.S. Armed Forces for five years, receiving discharge in 1945, rank of Lt. Colonel. Then employed by [illegible], operating the [illegible] Industrial Towel Service Plant, at [illegible], New Jersey, for four years. For one and one half years, immediately prior to coming to Houston, reported that the McGuire Bros. employed him as plant manager at 44th Road, and Vernon Blvd. Lond Island City, New York. Moved to Houston, and was instrumental in forming this concern in 1951. It has been reported that Hawkins, is the principal stockholder in this company.

H. M. Bixby born about 1890, and is retired official of the Pan American Airways and resided in New York City.

Elizabeth B. Hawkins, wife of the President, is not active in the business.

George E. Mallouk is reported to engage in real estate line, in Brooklyn, New York.

Victoria Linen Service Co. (Inc): Victoria, Texas, wholly owned subsidiary of subject concern, acquired January 1, 1957. The present corporation L&M Linnen Service Co (Inc), acquired the assets, and assumed the liabilities of L&M Linnen Service (Inc), chartered June 26, 1953, capital stock $24,000, all subscribed to and paid in in cash. The original corporation was apparently dissolved, and new corporation was formed as L&M Linen Service Co (Inc) chartered December 20, 1956, 1,500 shares, at $10 par value each. Has identical officers, as subject. Financial statement withheld. No inter-company relations between subject concern and the business in Victoria. Charter amendment in 1958, changed name from L&M Linen Service Co., to Victoria Linen Service Co.

OPERATION-LOCATION

Services: Engaged in the rental of towels, wiping rags, fender covers, and uniforms (SIC #7213). Distribution: Large industrial and commercial concerns, including oil and chemical refineries, oil tool manufacturers, machine shops, auto repair shops, and service stations. Territory: Houston, and radius of about 100 miles. Terms: One-third cash and two-third net 30 days. Employees: About 25 to 30

Facilities-Location: Occupies one-story hoolow tile building, with approximately 15,000 square feet of floor space. Adjoining is one-story sheet metal building, which is also leased. Buildings, are in good repair, and located in industrial section, of the city, on heavily traveled thoroughfare. Premises neat.

FINANCIAL INFORMATION

William D. Hawkins, the only officer residing locally, has all along declined to submit any financial information on the subject concern, on subsidiaries. Outside sources consulted are unable to estimate the assets, and liabilities of this concern. This business came under present control in 1951, with the purchase price, in the neighborhood of $110,000, also assumed mortgage debt of $43,794. Fixed assets, estimated at the present time, in the neighborhood of $200,000, a large inventory is carried, and apparently net working capital is adequate to maintain a favorable pay record. An expanding volume is reported being handles, with the subsidiary acquired at Victoria and a branch at Beaumont established, since inception. Sales are reported to exceed $500,000 annually. and indications are that operations are profitable.

four years. For one and one-half years, immediately prior to coming to Houston, reported that the Nehring Drug. employed him as plant manager at 64th Street and Vernon Blvd., Long Island City, New York. Moved to Houston, and was instrumental in forming this concern in 1951. It has been reported that Hawkins, is the principal stockholder in this company.

H. M. Bixby born about 1890, and is retired official of the Pan American Airways and resides in New York City.

Elizabeth D. Hawkins, wife of the President, is not active in the business.

George R. Wallach is reported to engage in real estate line, in Brooklyn, New York.

Victoria Linen Service Co. (Inc.): Victoria, Texas, wholly owned subsidiary of subject concern, acquired January 1, 1957. The present corporation Lone Linen Service Co (Inc), acquired the assets, and assumed the liabilities of Victoria Service (Inc), chartered June 16, 1953, capital stock $25,000, all subscribed to and paid in in cash. The original corporation was apparently dissolved, and new corporation was formed as Lone Linen Service Co (Inc) chartered December 27, 1956, 2,500 shares, at $10 par value each. Its executive officers, as subject. Financial statement withheld. No interdependent relations between subject concern and the business in Victoria. Charter amendment in 1959 change name from VLM Linen Service Co. to Victoria Linen Service Co.

OPERATION-LOCATION

Business: Engaged in the rental of cloths, wiping rags, laundry service, and uniforms (??) to industrial, large industrial and commercial concerns, including oil and chemical refineries, oil tool manufacturers, machine shops, auto repair shops, and private practices.
Territory: Houston, and radius of about 100 miles. Terms: One-third cash, and two-thirds net 30 days. Employees: Approximately 40.

Facilities-Location: Occupies one-story and part of building, with approximately 15,000 square feet of floor space, adjoining two story brick building, which is rented. Buildings are in good repair, and located in industrial section of the city, on heavily traveled thoroughfare. Premises neat.

FINANCIAL INFORMATION

William R. Hawkins, who only spoke recently, has all along declined to submit any financial information on the subject concern, on subsidiaries. Outside sources contacted are unable to estimate the assets, and liabilities of this concern. This business came under present control in 1951, when the purchase price, in the neighborhood of $110,000, also assumed mortgage debt of $42,794. Fixed assets, estimated at the present time, in the neighborhood of $250,000, a large inventory is carried, and apparently net working capital is adequate to maintain a favorable pay record. An expanding volume is reported being handled, with the subsidiary acquired at Victoria and a branch establishment established, since inception. Sales are reported to exceed $500,000 annually, and indications are that operations are profitable.

PAYMENTS

HC	OWE	P DUE	TERMS	
40000	16713	-0-	2/10 EOM-N30 Disc	Sold over three years
2400	-0-	-0-	2% 10 N30 Disc	Sold one year
500	-0-	-0-	2% 10 Prox Net 30 Disc	Sold first sale
300	-0-	-0-	2-10-30 Disc	Sold over three years
50	-0-	-0-	2-10 Prox 30 Net Disc	Sold first sale
4000	-0-	-0-	Prompt	Sold two years
1000	100	100	2-10-39 Prompt	Sold three years
1000	100	-0-	N 30 days Prompt	Sold two years
50	-0-	-0-	Prompt	Sold 4-48

Dun & Bradstreet, Inc. Report RATING UNCHANGED

N

7213 AD 73 MARCH 30 1960

INDUSTRIAL TOWEL & UNIFORM CO., (INC)

HOUSTON 10 TEXAS
1335 KRESS STREET

RATING: — Also Beaumont

TREND

W. D. Hawkins, President, declined to submit a financial statement, on March 30, 1960. Volume reported active, but no figures, obtained.

CONDITION

Accounts receivable, estimated, at $25,000, rental merchandise, about $50,000, and fixed assets, (net), $150,000. Indebtedness not learned, but reported to consist of small amount of fixed debt. Trade debt nominal.

HC	OWE	P DUE	TERMS	PAYMENTS October 19, 1959	
200	-0-	-0-	2-10-30	Disc	Sold over three years
4000	-0-	-0-	N30	Ppt	Sold one year
500			N 30 days	Ppt	Sold one year
12	-0-	-0-	2/10 30/N	Disc	Sold first sale

3-30-60 (36 71)

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Dun & Bradstreet, Inc. Report RATING UNCHANGED

N

7213 TR 73 APRIL 26 1960

INDUSTRIAL TOWEL & UNIFORM CO. (INC)

HOUSTON 10 TEXAS
1335 KRESS STREET

RATING: —— Also Beaumont

HC	OWE	P DUE	TERMS	PAYMENTS Apr 11 1960	
50	-0-	-0-	2/10/30	Disc	Sold 1 yr
300	50	-0-	EOM	Ppt	Sold over 3 yrs
50			Net 30 dys	Ppt	Sold 3 yrs
50	-0-		Net 30	Ppt	Sold 1 yr
---	500	---	Net 30 dys	Ppt	Sold 1 yr

4-26-60 (46)

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