

Decision No. 58909

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of LYON VAN & STORAGE CO. for an
Order Authorizing Applicant to
Guarantee a Note of Its Subsidiary
for \$55,000 for refinancing and
working capital

Application No. 41367

OPINION AND ORDER

In this application Lyon Van & Storage Co. requests that the Commission make its order authorizing the guarantee by applicant of a \$55,000 note which its wholly-owned subsidiary, Lyon Van & Storage Co., Inc., proposes to issue.

Applicant is engaged in the business of transportation and storage within the State of California and reports, for the year ended December 31, 1958, operating revenues from transportation of \$1,633,425 and from noncarrier operations of \$3,109,766, or total revenues of \$4,743,191. It has a wholly-owned subsidiary, Lyon Van & Storage Co., Inc., an Oregon corporation, which conducts a transportation and storage business wholly within the State of Oregon.

Applicant advises that its Oregon subsidiary recently completed construction of a new warehouse and to assist in financing this construction arranged to issue its note in the principal amount of \$55,000, with interest at the rate of 5-1/2% per annum on deferred balances. The note is to be paid in monthly installments

of \$450, which are to be applied first to the interest then due and the balance on principal. The note is to be secured by a real estate mortgage on the subsidiary's new warehouse. As a condition of the loan the lender requires that applicant guarantee payment of the note by the execution of a guarantee.

Applicant further advises that its subsidiary, until recently, owned a warehouse which had become obsolete on which there was a secured note with a balance due of approximately \$30,000. This balance due was discharged in full, using proceeds from a short-term bank loan. The obsolete warehouse was then traded for the new warehouse site, plus \$55,000 in cash. The trade has now been completed, the new warehouse built, and the \$55,000 paid to the contractor on account of the cost of the new warehouse. However, the new warehouse cost approximately \$70,350, so that an approximate balance of \$15,000 is still owing. Applicant's subsidiary proposes to use the proceeds from the issue of its note to repay the \$30,000 short-term bank loan and to provide working capital, including that required to discharge its remaining obligation to the contractor who constructed the warehouse.

The Commission has considered this application and is of the opinion that a public hearing is not necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for by the guarantee by applicant of a \$55,000 secured note to be issued by its Oregon subsidiary, Lyon Van & Storage Co., Inc., is reasonably required for the purposes specified herein and that

such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Lyon Van & Storage Co., a corporation, on and after the effective date hereof and on or before December 31, 1959, may guarantee payment of a \$55,000 secured note executed by its Oregon subsidiary, Lyon Van & Storage Co., Inc., for the purposes set forth in this application, which guarantee shall be in, or substantially in, the same form as that set forth in the application in this proceeding.

2. Lyon Van & Storage Co. shall file with the Commission a copy of the note and a copy of the guarantee as actually executed within thirty days after the date thereof.

3. The authority herein granted will become effective when Lyon Van & Storage Co. has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$55.

Dated at San Francisco, California, this 25th day of August, 1959.

[Signature]
President

[Signature]

[Signature]

[Signature]

Commissioners
PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
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BY