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ORIGINAL

Decision No. _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of ASSOCIATED FREIGHT LINES, a)
California corporation, for)
authority to execute a)
promissory note and credit and)
security agreements.)
_____)

Application No. 47548
Filed May 3, 1965

O P I N I O N

Associated Freight Lines has filed this application requesting authorization from the Commission (1) to execute a Credit Agreement and a Security Agreement with Bank of America National Trust and Savings Association, (2) to issue a \$530,000 promissory note pursuant to the terms of said agreements, and (3) to execute an Acceptance of Subordination Agreement.

Applicant is a California corporation engaged in business as a highway common carrier of general commodities, with certain exceptions, between various points in central and southern California. It also conducts operations under permits issued by this Commission, and is subject to the jurisdiction of the Interstate Commerce Commission. For the year 1964, the company reports gross operating revenues of \$3,090,935 and net income of \$105,305.

The application shows that Associated Freight Lines and its nonutility affiliate, Arrow Delivery Company, have arranged to enter into a Credit Agreement, jointly and severally, with Bank of America National Trust and Savings Association in order to obtain funds for refinancing equipment obligations, paying current liabilities and increasing working capital. It is alleged that Arrow Delivery Company is a California corporation controlled by principal stockholders of applicant and that a substantial portion of the affiliate's properties is leased to and used in applicant's operations. Both companies are collectively referred to as the borrower in the Credit Agreement, a copy of which is attached to the application as Exhibit A.

The agreement generally provides for bank loans not to exceed an aggregate principal amount of \$530,000, or lower limits governed by specific conditions, and it allows the borrower to borrow, prepay and reborrow within the limits so specified subject to a fee of one-fourth of 1% per annum on the daily average unused amount of the commitment. Said agreement requires the borrower to issue as evidence of the credit a two-year promissory note in the principal amount of \$530,000, bearing interest at the rate of 7% per annum, and to be secured by a Security Agreement. The borrower will be required also to pay interest only on the actual amounts outstanding and to repay principal in amounts actually advanced

pursuant to terms of the Credit Agreement, which further compels the borrower to execute an Acceptance of Subordination Agreement.

According to the application, \$316,604 of the funds to be received from the bank will be applied toward repayment of all outstanding equipment obligations of applicant and its affiliate, Arrow Delivery Company. Part of applicant's current liabilities will be liquidated with \$150,944 of the loan proceeds and the balance will be used for working capital principally by applicant.

Associated Freight Lines asserts that the proposed refinancing of its equipment obligations will provide substantial savings by reducing the effective interest rate from approximately 7.9% to 7% on outstanding debt incurred for acquiring equipment. It reports that Arrow Delivery Company will use a portion of the loan proceeds to refinance equipment obligations related to units leased to Associated Freight Lines. Applicant alleges further that the availability of funds under the Credit Agreement will enable it (a) to take advantage of cash discounts, (b) to avoid carrying charge penalties formerly incurred because of insufficient working capital, and (c) to improve its financial condition and stability.

The Commission has considered this matter and finds that: (1) the proposed note issue is for proper purposes; (2) the money, property or labor to be procured or paid for by the issue of the note herein authorized is reasonably

required for the purposes specified herein; and (3) such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income. On the basis of these findings we conclude that the application should be granted. A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. For the purposes specified in this proceeding, Associated Freight Lines, jointly and severally with Arrow Delivery Company, may execute a Credit Agreement and, pursuant to such agreement, may issue a promissory note in the principal amount of not to exceed \$530,000, and may execute a Security Agreement and an Acceptance of Subordination Agreement. Said documents shall be in the same form, or in substantially the same form, as those attached to the application.

2. Associated Freight Lines shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

3. This order shall become effective when Associated Freight Lines has paid the fee prescribed by Section 1904 (b) of the Public Utilities Code, which fee is \$530.

Dated at Los Angeles, California,
this 18th day of May, 1965.

Frederick B. Holcomb
President

Paul E. ...

George G. ...

...

Commissioners

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.

