

ORIGINAL

Decision 84 11 030 NOV 7 1984

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
ANAHEIM MOVERS SERVICE, INC.; UNITED )  
CALIFORNIA EXPRESS AND STORAGE CO.; )  
UNITED CALIFORNIA HOUSEHOLD SHIPPING )  
CO.; GLOBAL MOVING SYSTEMS, INC.; )  
GLOBAL VAN & STORAGE, INC.; BENTLEY )  
MOVING & STORAGE; and W.C.S., INC. )  
for authority to pledge their )  
respective accounts as collateral )  
security pursuant to Section 851 of )  
California Public Utilities Code )

Application 84-10-043  
(Filed October 17, 1984)

O P I N I O N

In this application, the following companies listed below (collectively referred to as Applicants) request, under Public Utilities (PU) Code Section 851, the authority that follows:

NAME

- Anaheim Movers Service, Inc. (Anaheim)
- United California Express and Storage Co. (United Express)
- United California Household Shipping Co. (United Shipping)
- Global Moving Systems, Inc. (Systems)
- Global Van & Storage, Inc. (Van)
- Bentley Moving & Storage (Bentley)
- W.C.S., Inc. (WCS)

All Companies above are California Corporations.

1. To grant to General Electric Credit Corporation (GECC), a New York Corporation, a security interest in the accounts of the Applicants in connection with, and as defined in, the Loan and Security Agreement (Loan Agreement), dated September 27, 1984, among G.E. Credit, Global Transportation Services, Inc., a Delaware

Corporation formerly known as "Global Services, Inc." (Global), and certain subsidiaries of Global (collectively referred to as the Subsidiaries) or,

in the alternative, the Applicants request the Commission.

2. To dismiss the application for lack of jurisdiction on the grounds that the pledge of accounts by public utilities, is not regulated or prohibited by PU Code Section 851.

#### Summary of Decision

This decision grants Applicants the authority to pledge their respective accounts as collateral security.

Notice of the filing of the application appeared on the Commission's Daily Calendar of October 18, 1984. No protests have been received.

Anaheim is a moving and storage company which serves the Orange County area. Anaheim conducts California intrastate operations under a Certificate of Public Convenience and Necessity (File T-115845) issued by the Commission.

United Express is a moving and storage company which serves the Alameda County area. United Express conducts California intrastate operations under a Certificate of Public Convenience and Necessity (File T-47821) issued by the Commission. United Express also holds and operates under a household goods carrier permit, a highway contract carrier permit, an agricultural carrier permit, a dump truck permit, and a livestock permit.

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United Shipping is a moving and storage company which serves the San Mateo County area. United Shipping conducts California intrastate operations under a Certificate of Public Convenience and Necessity (File T-58476) issued by the Commission.

Systems is a moving and storage company which serves the San Diego area. Systems conducts California intrastate operations under a Certificate of Public Convenience and Necessity (File T-138759) issued by the Commission.

Van is a moving and storage company which serves the Los Angeles area. Van conducts California intrastate operations under a Certificate of Public Convenience and Necessity (File T-64170) issued by the Commission.

Bentley is a moving and storage company which serves the Contra Costa County area. Bentley conducts California intrastate operations under a Certificate of Public Convenience and Necessity (File T-64538) issued by the Commission.

WCS provides steamship transportation services for the Oakland/San Francisco Counties area. WCS conducts California intrastate operations under a Certificate of Public Convenience and Necessity (File T-115418) issued by the Commission.

All of the Applicants are direct or indirect Subsidiaries of Global, which is a privately held holding company not subject to the Commission's jurisdiction. ✓

The Loan Agreement and Note

The Loan Agreement provides for G.E. Credit to make revolving credit loans to Global in an aggregate principal amount not to exceed the lesser of (a) \$16,000,000 or (b) an amount equal to the sum of the following:

1. 85% of the face amount of eligible accounts (as determined in Section 2.7 of the Loan Agreement) and
2. The amount remaining undrawn under a letter of credit issued by the Bank of America (BoFA) to G.E. Credit in the amount of \$1,000,000 for the account of Global (the BoFA Letter of Credit). The indebtedness of Global under the Loan Agreement is evidenced by a Revolving Credit Promissory Note of Global dated September 27, 1984 (Note) payable to the order of G.E. Credit in the principal amount of \$16,000,000 or as much thereof as may be advanced to Global. The Note is payable on demand, or if no demand is made, on September 30, 1989, and bears interest at a variable rate set forth in Section 2.3 of the Loan Agreement. Interest on the Note is payable monthly on the first day of each calendar month.

In order to secure all of the liabilities of Global to G.E. Credit under the Note and the Loan Agreement, the following provisions are made:

1. Each of the Subsidiaries execute a Guaranty dated September 27, 1984 in the form of Exhibit F to the Loan Agreement whereby each subsidiary agrees to guarantee the payment of all indebtedness of Global to G.E. Credit and
2. Each of the Subsidiaries grant a security interest to G.E. Credit in all of their respective "Accounts."

Definition of Accounts

Section 3.1(a) of the Loan Agreement defines "Accounts" as all accounts, General Intangibles, chattel paper, instruments, and documents. Section 3.1(a) further defines "General Intangibles" as all intangible personal property of every kind or nature, but specifically excludes any operating authority owned by a Subsidiary. As additional security for Global's obligations to G.E. Credit, Global delivered the B of A Letter of Credit to G.E. Credit.

Section 5.1(1) of the Loan Agreement required that the Applicants file the application with the Commission requesting authority for each Applicant to grant to G.E. Credit a security interest in its Accounts under the terms of the Loan Agreement. The Applicants have not executed the Loan Agreement, or any other documents in connection with the Loan Agreement. If the Commission grants the relief requested in the application, however, each

Applicant will execute the Loan Agreement, a guaranty in substantially the form of Exhibit F to the Loan Agreement in order to guarantee all obligations of Global under the Note and the Loan Agreement, and any other documents necessary to evidence the grant of the security interest in each such Applicant's accounts. The application states that since the Note issued by Global is payable upon demand, the Applicants do not need Commission approval to guarantee the indebtedness of Global evidenced by the Note. ✓

Although we do not agree with Applicants' conclusion, we will, nonetheless, grant authority for Applicants' guarantee of Global's indebtedness under the Note. In addition, the Applicants are not required to pledge their California intrastate operating rights as collateral under the Credit Agreement. ✓

The Applicants seek authority from the Commission, under PU Code Section 851 to grant to G.E. Credit a security interest in their respective Accounts in accordance with the terms and provisions of the Loan Agreement.

Use of the Loan Proceeds

The Applicants propose to use the funds acquired through the Loan Agreement for the following purposes:

1. To refinance the prior indebtedness of Global to the Continental Illinois National Bank and Trust Company of Chicago (CINB) and
2. To provide additional working capital.

The prior indebtedness expired on September 30, 1984 and had to be repaid on, or prior to, that date. The application states that the greater portion of the funds borrowed from G.E. Credit, \$10,403,232.23, on the initial date of the Loan Agreement was used to repay the indebtedness to CINB. The balance of the funds, \$600,000, borrowed on the initial date of the Loan Agreement is being used for working capital purposes. The application states that these funds will be used for all Subsidiaries of Global, including the Applicants. The amount of the funds borrowed for working capital, however, fluctuates daily as the Accounts making up the borrowing base increases or decreases.

The application states that the Commission's grant of the authority sought in the application will be consistent with and will serve to further the public interest.

The application also states that the funds borrowed under the Loan Agreement may not exceed a limit based upon the total amount of Accounts pledged to G.E. Credit. The Applicants have asserted that if the application is approved by the Commission, the Applicants will pledge their Accounts to G.E. Credit and thereby increase the borrowing base by approximately \$1,396,000, which in turn allows Global to borrow more funds under its revolving credit granted in the Loan Agreement. The application states that these additional funds (approximately \$1,186,000) are needed by Global to finance Global's increased business over the past ten months. In addition, since the borrowing base fluctuates daily, this increased borrowing base will provide Global with a more stable financing source.

Under Section 6.1(1) of the Loan Agreement, the failure of the Applicants to obtain the needed approvals from the Commission prior to December 26, 1984 will be an Event of Default. Upon such Event of Default, G.E. Credit may declare all indebtedness under the Note to be immediately due and payable and may terminate its revolving credit commitment.

Global reported a net operating loss of \$670,000 in the calendar year 1983, but has generated profits of \$1,102,000 through the first eight months of calendar year 1984. The increased



profits are due to a 20% increase in revenues over the same period in 1983. Because of the increased revenues, the accounts receivable have increased by \$3,574,000 which has put a large financial strain on Global for additional working capital. The Applicants assert that these figures illustrate Global's pressing need for the additional funds under the Loan Agreement.

The application indicates that in the event that the Commission's authorization is denied or delayed past December 26, 1984, the Applicants would be required to obtain another credit facility similar to that provided by G.E. Credit. In view of the complexity and size of the Loan Agreement, the Applicants believe that it would take an extended period of time for them to obtain a financial institution willing to lend funds on the same, or substantially similar terms, as those set forth in the Loan Agreement. Therefore, the application states that if the Applicants were required to refinance the Loan Agreement with another credit facility, the refinancing might subject the Applicants to increased costs for this credit and tremendous uncertainty with respect to long-range planning.

The Commission's Evaluation and Compliance Division has analyzed the effect of the financing provided under the Loan Agreement and has concluded that the security interests to be granted

are required for the purposes stated in the application. The Applicants assert that granting these security interests will have no adverse effect upon the continued operations of the Applicants or their service to the public. Because of time constraints and the pressing need for the authority requested herein, the Applicants request that the Commission's order be made effective at the earliest possible date.

Findings of Fact

1. The Applicants, all California corporations, operate as highway common carriers under the jurisdiction of this Commission.

2. The granting by the Applicants of a security interest in their respective Accounts to G.E. Credit and their guarantee of Global's indebtedness under the Note is not adverse to the public interest. ✓

3. 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 Applicants should be allowed to grant a security interest in their respective Accounts to G.E. Credit and to guarantee the indebtedness of Global under the Note under the terms of the Loan Agreement. ✓

3. The application should be granted to the extent set forth in the order which follows.

The Applicants request an order to be effective immediately to permit them to complete their financial transaction as soon as possible. The following order should be effective on the date of signature to enable the Applicants to proceed with their transaction expeditiously.

O R D E R

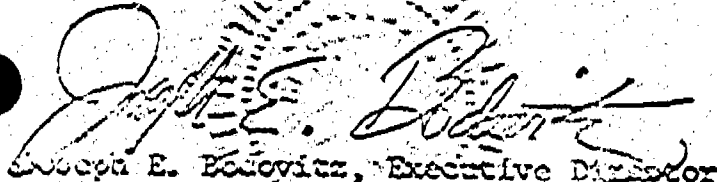
IT IS ORDERED that Anaheim Movers Service, Inc., United California Express and Storage Co., United California Household Shipping Co., Global Moving Systems, Inc., Global Van & Storage, Inc., Bentley Moving & Storage, and W.C.S., Inc. are each authorized to grant a security interest in their respective Accounts to General Electric Credit Corporation, as defined in and pursuant to the terms and provisions of the Loan Agreement and to guarantee the indebtedness of Global Transportation Services, Inc. under the Note as defined in and pursuant to the terms and provisions of the Loan Agreement.

This order is effective today.

Dated NOV 7 1984, at San Francisco, California.

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

VICTOR CALVO  
PRISCILLA C. CREW  
DONALD VIAL  
WILLIAM T. BAGLEY  
Commissioners

  
Joseph E. Bodovitz, Executive Director