

Decision 83 02 014 FEB 2- 1983

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of GLOBAL VAN LINES, INC. and)
UNITED CALIFORNIA EXPRESS AND)
STORAGE CO. for authority pursuant)
to Section 830 of the California)
Public Utilities Code to assume)
obligations or liabilities in)
connection with the Credit)
Agreement dated as of September)
24, 1981, between Global Services,)
Inc. and Continental Illinois)
National Bank and Trust Company of)
Chicago)

Application 82-06-27
(Filed June 10, 1982;
Petition for Modification
filed December 21, 1982)

ORDER MODIFYING DECISION 87-07-065

By Decision (D.)82-07-065 dated July 7, 1982, the Commission authorized Global Van Lines, Inc. (Global) and United California Express and Storage Co. (United) to assume the indebtedness of Global Services, Inc. (Services) to Continental Illinois National Bank and Trust Company of Chicago (CINB) by the granting of a security interest to CINB in certain property of Global and United.

On December 21, 1982, applicants filed a petition for modification of D.82-07-065. The petition seeks to have the Commission modify this decision to reflect that the security interest granted to CINB in certain property of Global and United

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to secure the indebtedness and obligations to CINB of Services shall secure an additional \$1,800,000 of indebtedness of Services to CINB than as originally reflected in D.82-07-065.

Notice of the filing of the petition for modification of D.82-07-065 appeared on the Commission's Daily Calendar of December 23, 1982. No protests have been received.

In D.82-07-065, Global and United received authority, under Public Utilities (PU) Code Section 830, to grant a security interest in certain of their property to CINB to secure the indebtedness and obligations of Services to CINB under the Credit Agreement (First CA) dated September 24, 1981 between Services and CINB. The First CA provided for CINB to make, on behalf of Services, revolving loans and eurodollar advances and to issue letters of credit (collectively referred to as the CINB Credit Facility). The aggregate principal amount of the CINB Credit Facility is the lesser of (a) \$10,500,000 or (b) an amount equal to 75% of the balance due on certain accounts receivable of Global and United. As evidence of its indebtedness to CINB under the First CA, Services executed a promissory note dated October 1, 1981 (First Note) payable to the order of CINB in the original amount of \$10,500,000.

Under the First CA, Global and United were each required to grant to CINB a security interest in all of their respective accounts receivable, contract rights, chattel paper, instruments evidencing an obligation to Global or United for goods sold or leased or services rendered, and all current or future proceeds (Loan Collateral). The grant by Global and United to CINB of a security interest in the Loan Collateral under the First CA constituted an assumption of an obligation or liability of another person for purposes of PU Code Section 830 which requires the approval of the Commission.

Services proposes, in its petition for modification of D.82-07-065, to enter into a Term Loan Agreement (Proposed Loan Agreement) with CINB. Under the Proposed Loan Agreement, CINB will agree to lend to Services the additional amount of \$1,800,000 with the indebtedness to be evidenced by a promissory note of Services payable to the order of CINB.

The Proposed Loan Agreement and the proposed note will be secured by (a) an irrevocable, standby letter of credit, naming CINB as beneficiary, issued by a financial institution, and (b) the Loan Collateral granted to CINB under the terms of the First CA. Under the terms of the Proposed Loan Agreement, Global and United will be required to execute an Amendment to the Security Agreement

which amends the original Security Agreement dated October 1, 1981 wherein Global and United granted to CINB a security interest in the Loan Collateral.

If the Proposed Loan Agreement is consummated, the security interest granted to CINB in the Loan Collateral would secure a larger amount of indebtedness than as originally stated in the application. Since D.82-07-065 reflected that the Loan Collateral would secure only the indebtedness of Services under the First CA, Global and United request that the Commission modify the decision to allow the security interest to secure the additional indebtedness of Services under the Proposed Loan Agreement.

The petition for modification of D.87-07-065 states the funds to be provided by CINB under the Proposed Loan Agreement will be used to refinance existing debt of Services and to provide additional working capital for Global and its subsidiaries (including United). The present financing arrangement has a term of one year with interest payable at the prime rate plus 2%. The term under the Proposed Loan Agreement, however, extends until September 30, 1984 and the proposed note bears interest at the prime rate plus 1%.

The petition asserts that the Commission's modification of D.82-07-065 will be consistent with and will serve to further the public interest because the Proposed Loan Agreement will provide Services with an additional \$1,800,000 as well as certain other advantages over the present Credit Facility. Under the Proposed Loan Agreement, Services will be able to obtain the funds for a longer term and a lower interest rate than was previously available. Global and United will not have to put up additional collateral in order for Services to increase the amount borrowed from CINB. Instead, the Loan Collateral will secure a larger amount of indebtedness, but the risks involved will not significantly increase since the Proposed Loan Agreement will also be secured by a Standby Letter of Credit. With the longer term under the Proposed Loan Agreement, Services will have greater flexibility in order to provide Global and its subsidiaries (including United) with working capital.

The petition for modification of D.82-07-065 indicates that Global and United must obtain the approval of the Commission before the Proposed Loan Agreement may be consummated. If the Commission does not approve the petition, Services could be forced to obtain financing from other financial institutions. Since Services already has an established credit relationship with CINB, Services feels that CINB will provide financing upon the most favorable terms.

Global and United have requested that the Commission approve the petition as soon as possible since approval is needed in order to obtain the financing under the Proposed Loan Agreement.

This order should be made effective on the date of signature to enable Global and United to assume the additional indebtedness of Services to CINB under the Proposed Loan Agreement expeditiously.

Findings of Fact

1. The guaranty of Global and United of the additional indebtedness of Services to CINB under the Proposed Loan Agreement is not adverse to the public interest.

Conclusions of Law

1. A public hearing is not necessary.

2. The assumption by Global and United of the additional indebtedness of Services to CINB under the Proposed Loan Agreement, through the increase in the amount of indebtedness of Services secured by the Loan Collateral, should be granted.

O R D E R

IT IS ORDERED that Decision 82-07-065 dated July 7, 1982 is modified so that Global Van Lines, Inc. (Global) and United California Express and Storage Co. (United) are authorized to assume the indebtedness of Global Services, Inc. (Services) to

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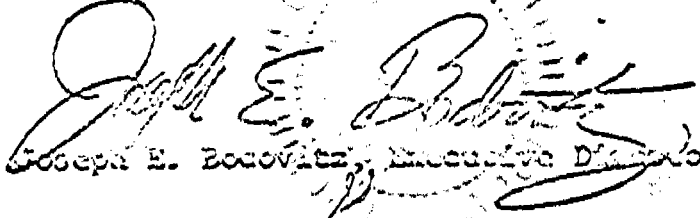
Continental Illinois National Bank and Trust Company of Chicago (CINB) under the Credit Agreement dated September 24, 1981 between Services and CINB, and a proposed \$1,800,000 Loan Agreement between Services and CINB, by the granting of a security interest to CINB in certain property of Global and United in the manner described in the application and petition for modification.

This order is effective today.

Dated FEB 2 1983 at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
FRISCILLA C. GREW
DONALD VIAL
Commissioners

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


Joseph E. Borovitz, Executive Director