

T/SG/WPS/WPSC

Decision : 93294 JUL 7 1981

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of GLOBAL SERVICES, INC., for )  
authority pursuant to Section 854 )  
and 3551 of the California Public )  
Utilities Code to control GLOBAL )  
VAN LINES, INC., GLOBAL VAN & )  
STORAGE, INC., ANAHEIM MOVERS )  
SERVICE, INC., UNITED CALIFORNIA )  
EXPRESS & STORAGE COMPANY, )  
HAYHURST TRANSFER & STORAGE CO., )  
BENTLEY MOVING & STORAGE CO., )  
MERRILL'S TRANSFER & STORAGE CO., )  
AND BAY AREA CARTAGE CO. )

Application 60611  
(Filed June 1, 1981)

O P I N I O N

Global Services, Inc., a Delaware corporation, (Applicant) seeks permission under Public Utilities Code Sections 854 and 3551 to acquire control of Global Van Lines, Inc., a Texas corporation (Global) and several subsidiary California corporations, each of which holds operating authority issued by this Commission. Under the proposed control and merger plan set forth in the application, all the issued and outstanding common stock of Global, will be acquired by GVL Corporation, a Texas corporation (GVL), which is a non-carrier wholly owned subsidiary of the Applicant. GVL will then be merged into Global, and will be extinguished. Its stock will be converted into common stock to be issued by Global, the surviving corporation, to

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the Applicant. Global's subsidiaries, which will be indirectly controlled by Applicant through the proposed transaction, include several corporations which hold permitted and certificated operating authority issued by this Commission including:

<u>Corporation</u>	<u>% of Stock Ownership by Global</u>	<u>Intrastate Operating Authority Held</u>
Global Van & Storage, Inc.	50	Highway Common Carrier Household Goods Carrier Highway Contract Carrier
Anaheim Movers Service	100	Highway Contract Carrier
United California Express & Storage Inc.	97	Highway Common Carrier Household Goods Carrier Highway Contract Carrier Agricultural Carrier Dumptruck Carrier Livestock Carrier
Hayhurst Transfer & Storage	97 <sup>1</sup> / <sub>2</sub>	Household Goods Carrier
Bentley Moving & Storage	97 <sup>1</sup> / <sub>2</sub>	Highway Common Carrier Highway Contract Carrier Agricultural Carrier
Merrill's Transfer & Storage Service	97 <sup>1</sup> / <sub>2</sub>	Household Goods Carrier Highway Contract Carrier
Bay Area Cartage Co.	97 <sup>1</sup> / <sub>2</sub>	Household Goods Carrier Highway Contract Carrier Agricultural Carrier

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1/ Wholly owned subsidiary of United California Express & Storage Company

Global and its subsidiaries are also engaged in interstate and foreign commerce. Global operates as a motor common carrier under authority issued by the Interstate Commerce Commission (ICC) in Certificate No. MC-41098 and various sub-numbers. It also operates as a motor contract carrier under authority issued by the ICC in Certificate No. MC-144860 and various sub-numbers, and a broker under authority issued by the ICC in Certificate No. MC-136789 F. Global, which is a Texas corporation, holds a highway common carrier certificate and household goods and highway contract carrier permits issued by this Commission.

The issued and outstanding capital stock of Global consists of 52,715.5 shares of common stock, no par value, of which 49,041.5 shares, or approximately 93%, are owned by three principal shareholder groups, the members of which are herein called the "Principal Shareholders." Members of the family of D.D. Heydlauff, Sr., the Chairman of the Board and a director of Global, together with various trusts of which Heydlauff family members are grantors, beneficiaries or trustees, own an aggregate of 21,949 shares, or approximately 42% of the outstanding Global stock. Members of the family of E.W. Schumacher, the President and a director of Global, and various trusts of which Schumacher family members are grantors, beneficiaries or trustees, own an aggregate of 20,949 shares, or approximately 40% of the outstanding Global stock. E. Gordon Scott is the Executive Vice President of Global and a member of its Board of Directors. Members of the Scott

family, together with a trust for their benefit, own an aggregate of 4,943.5 shares, or approximately 9%, of the outstanding Global stock. Charitable organizations to which the Schumacher and Scott interests have contributed Global stock own 1,200 shares, or approximately 2%, of the outstanding Global stock.

The remaining 3,674 shares, or approximately 7%, of the outstanding Global stock, are owned by 52 shareholders, herein called the "Minority Shareholders," who reside in 13 states and who hold from one to 1,000 shares each.

A list of the present Global shareholders, identifying each as a Principal Shareholder or Minority Shareholder, is attached as Exhibit XI to the application. When Applicant acquires control of Global and thereby its subsidiaries, Global will merge with GVL, a newly organized, wholly-owned Texas subsidiary of the Applicant formed specifically for purposes of the merger. In connection with the merger the shareholders of Global will receive from the Applicant, in exchange for their Global shares, either cash, in the case of the Minority Shareholders, or, in the case of the Principal Shareholders, a combination of cash and promissory notes of the Applicant. Global will be the surviving corporation of the merger and upon consummation of the merger will become a wholly-owned subsidiary of the Applicant.

The separate corporate existence of GVL will cease as a result of the merger. The substantive result of the merger will be as if the Applicant had purchased all of the issued and outstanding stock of Global from its shareholders.

The terms and conditions of the merger are set forth in an Agreement of Merger dated as of April 28, 1981 among the Applicant, GVL, Global, certain of the principal shareholders and D.D. Heydlauff, Sr., E.W. Schumacher and E. Gordon Scott. A copy of the Merger Agreement, with the related Plan of Merger attached as Exhibit I thereto, is attached as Exhibit XII to the application.

Upon consummation of the merger, each Minority Shareholder will become entitled to receive from the Applicant \$168 in cash for each share of Global stock then held by such Minority Shareholder, and each Principal Shareholder will become entitled to receive from the Applicant (1) cash in an amount equal to \$42.47 multiplied by the number of Global shares then held by such Principal Shareholder, (2) a Series A Promissory Note of the Applicant ("Series A Note") in an amount equal to \$36.70 multiplied by the number of Global shares then held by such Principal Shareholder, and (3) a Series B Promissory Note of the Applicant ("Series B Note") in an amount equal to \$132.54 multiplied by the number of Global shares then held by such Principal Shareholder.

Each Series A Note will bear interest at an annual rate of 12% and will be payable, as to both principal and interest, one year from its date of issue. The form in which each Series A Note will be issued is attached as Exhibit II to the Merger Agreement. Each Series B Note will bear interest at an annual rate of 12%, will be payable in 20 equal semi-annual installments of principal and interest and will be in the form of Exhibit III to the Merger Agreement.

The Series A Notes and the Series B Notes will be ratably secured by a Letter of Credit in the amount of \$1,800,000 to be issued in favor of the Principal Shareholders by a national bank satisfactory to them. The Letter of Credit must be maintained in effect until at least 60 days following maturity of the Series A Notes. The form in which the Letter of Credit will be issued is attached as Exhibit IV to the Merger Agreement.

The Series A Notes and the Series B Notes will be further secured by a security interest in all trucks, tractors and semi-trailers to be owned on the date of the merger by a non-carrier equipment leasing subsidiary of the Applicant. Such security interest will be granted to a national bank (the Trustee) which will serve as agent for collection of the Series A and Series B Notes and which will act as collateral trustee with respect to the vehicles covered by the security interest. A copy of the form of Indenture and Security

Agreement pursuant to which the security interest will be granted and pursuant to which the Trustee will be appointed is attached as Exhibit V to the Merger Agreement.

The aggregate amount of cash to be paid by the Applicant to the Minority Shareholders and the Principal Shareholders for their Global shares is \$2,700,000. The aggregate principal amount of the Series A Notes to be issued to the Principal Shareholders is \$1,800,000, and the aggregate principal amount of the Series B Notes to be issued to the Principal Shareholders is \$6,500,000.

The Merger Agreement provides that as a condition to consummation of the merger each of the three key executives of Global, D.D. Heydlauff, Sr., E.W. Schumacher and E. Gordon Scott, will enter into Employment and Consulting Agreements with Global. Under these agreements, each key executive will agree to remain employed by Global, on a full-time basis, for a period of at least two years following consummation of the merger. After expiration of the two-year period, both Global and the executives will have an option to terminate the period of full-time employment, in which case the executive will thereafter serve as a part-time consultant to Global until the date which is ten years from the consummation date of the merger. These agreements are attached as Exhibits VI, VII, and VIII, respectively, to the Merger Agreement.

The merger and the Merger Agreement were unanimously approved by the Board of Directors of Global by a written consent dated May 4, 1981, a copy of which is attached as Exhibit XIII to the application. Under Texas law, which will govern the corporate legality of the merger, the merger must be approved by the holders of at least two-thirds of Global's outstanding shares. Such approval may be sought only after the California Commissioner of Corporations has taken certain actions hereinafter described.

Applicant is a newly-formed corporation and as such has no history of operations. Its pro-forma consolidated balance sheet, Exhibit XIV of the application, giving effect to the proposed merger and related transactions on the consummation date thereof, shows an anticipated equity capitalization of \$3,100,000 which amount exceeds the cash required to consummate the merger.

The Applicant is, and will be following consummation of the merger, an autonomous company independently owned, operated and financed. It will not be part of a diversified conglomerate. Its sole function will be to monitor and seek appreciation of its investment in Global. Its policy will be to preserve intact the Global organization, to retain its present management and to continue its high quality of transportation service.

Assertedly, the proposed transaction can reasonably be expected to have a beneficial effect on the household goods moving industry as a whole. A well financed and experienced management group



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is willing to enter the industry at a time when industry earnings are generally depressed, when many of the nation's largest movers have recently suffered significant losses. New investments such as the Applicant proposes to make in Global should have a stabilizing effect and contribute to a needed restoration of investor and lender confidence in the industry.

Notice of the filing of the application appeared in the Commission's Daily Calendar of June 4, 1981 and a copy of the application was sent by mail to California Trucking Association. Applicant requests relief from the provisions of the Commission's Rules of Practice and Procedure which require wide dissemination of the application. No protests to the application have been received.

Applicant requests that the application be disposed of on an ex parte basis and that the Commission's order be made effective the earliest date possible.

Merger

Applicant requests permission to merge its wholly owned subsidiary, GVL, which is a non-carrier, into Global. Section 851 of the Public Utilities Code requires Commission approval for a merger which will affect the assets, including operating authorities, held by carriers if both are public utilities. Such a result will not occur under the Applicant's proposal which involves the merger and extinguishment of a non-carrier corporation which is not a public utility, and the survival of a carrier corporation with its operating authority and other assets intact. Consequently, the Commission's approval of the merger is not required. Similarly, the issuance of the proposed encumbering documents and promissory notes will affect the assets of a non-carrier subsidiary of Applicant and are not subject to the authorization of the Commission.

The issuance of stock by Global, upon merger of GVL is, however, subject to the Commission's jurisdiction under Section 818 of the Public Utilities Code. Acquisition of control of Global by Applicant is subject to the Commission's jurisdiction under Section 854 of the Public Utilities Code.

Findings of Fact

1. Applicant is a Delaware corporation and is not presently a highway carrier or a public utility.
2. GVL, a Texas corporation, is a subsidiary of the Applicant, and does not hold operating authority issued by this Commission.

3. The proposed transfer of control of Global to the Applicant and thereby, transfer of indirect control of Global Van & Storage, Inc., Anaheim Movers Service, Inc., United California Express & Storage Co., Hayhurst Transfer & Storage Inc., Bentley Moving & Storage, Merrill's Transfer & Storage Service and Bay Area Cartage Co., is in the public interest.

4. The proposed stock issuance is for lawful purposes and the money, property, or labor to be obtained by it is required for these purposes. Proceeds from the stock issuance may not be charged to operating expenses or income.

5. The proposed issuance of promissory notes and security agreements will encumber assets of a non-carrier subsidiary of Applicant, and do not require the authority of this Commission.

6. The proposed stock issuance by Global is subject to the Commission's jurisdiction.

7. This Commission's approval is not required for the merger of GVL into Global since one of them is not a public utility.

8. The proposed transactions do not involve a transfer of operating authority requiring this Commission's approval.

9. It can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

10. The following order has no reasonably foreseeable impact upon the energy efficiency of highway carriers.

11. There is no known opposition and no reason to delay granting the authority requested.

Conclusions of Law

1. The application should be granted to the extent set forth in the ensuing order.

2. A public hearing is not necessary.

3. The requested relief from the Commission's Rules of Practice and Procedure should be granted.

4. The following order should be effective on the date of signature to enable Applicant to give immediate guidance and direction to its management and employees and avoid disruptions in the ongoing operations of the affected carriers.

O R D E R

IT IS ORDERED that:

1. On or after the effective date hereof and on or before December 31, 1981, and in the manner set forth in the application, Global Services, Inc., may control Global Van Lines, Inc., and indirectly control Global Van & Storage, Inc., Anaheim Movers Service, Inc., United California Express & Storage Co., Hayhurst Transfer & Storage, Inc., Bentley Moving & Storage, Merrill's Transfer & Storage Service and Bay Area Cartage Co.

2. On or after the effective date of this order, but before December 31, 1981, for the purposes specified, Global Van Lines, Inc., may issue 52,715 shares of its no par value common stock to Global Services, Inc


3. Global Services, Inc., 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.

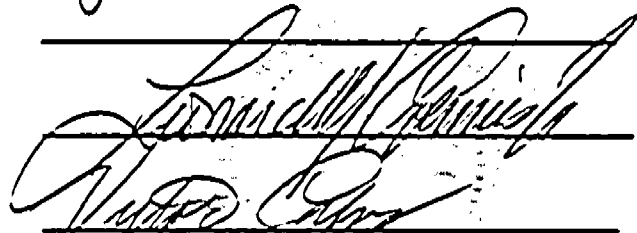
4. Global Services, Inc., is granted a deviation from the Commission's Rules of Practice and Procedure to the extent requested in the application.

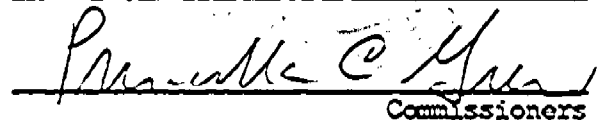
5. The authority granted by this order to issue stock will become effective when the issuer pays \$11,500 as set by Section 1904.1 of the Public Utilities Code.

In all other respects this order becomes effective today.

Dated JUL 7 1981, at San Francisco, California.

  
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President

  
\_\_\_\_\_  
Richard D. Gravelle

  
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Commissioners

Commissioner Richard D. Gravelle, being necessarily absent, did not participate in the disposition of this proceeding.