

ORIGINAL

Decision No. 41017

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
SAN FRANCISCO WAREHOUSE COMPANY for	:	Application
an order authorizing it to borrow)	No. 28921
money.	:	
-----)	

O P I N I O N

This is an application by San Francisco Warehouse Company for an order of the Public Utilities Commission authorizing it to execute a loan agreement and to issue not exceeding \$450,000 principal amount of notes for the purpose of financing the cost of acquiring and constructing warehouse properties.

San Francisco Warehouse Company, hereinafter referred to as Company, is engaged in business as a public utility warehouseman in the City and County of San Francisco. For the year 1946 it has reported its revenues from warehouse operations at \$683,169.19 and its non-warehouse revenues at \$531,642.84, a total of \$1,214,812.03, and its net income after all charges, at \$84,158.82. For the nine months ending September 30, 1947, it has reported its revenues from warehouse operations at \$575,233.68 and its non-warehouse revenues at \$391,223.25, a total of \$966,456.93, and net income after all charges, at \$82,430.05. It reports its balance sheet as of September 30, 1947, as follows:

Assets

Current assets -		
Cash	\$ 56,030.93	
Accounts receivable-net	202,440.52	
Miscellaneous (credit)	<u>(519.62)</u>	
Total current assets		\$257,951.83
Inventories		3,201.60
Property and equipment, less reserves		529,505.83
Prepayments		40,809.08
Personal accounts		2,384.91
Goodwill		18,849.49
Other investments-securities		<u>7,356.67</u>
	Total	<u>\$860,059.41</u>

Liabilities and Capital

Notes payable	\$140,000.00	
Accounts payable	56,072.36	
Accrued liabilities	<u>82,633.83</u>	
Total liabilities		\$278,706.19
Capital stock		40,000.00
Surplus		<u>541,353.22</u>
	Total	<u>\$860,059.41</u>

The Company has been conducting its operations both in its own premises and in premises leased from others, its 1946 annual report showing that it operated, in the aggregate, 717,750 square feet of floor space. It appears, however, from the present application, that on January 1, 1948, upon the expiration of a lease, it will lose the use of a warehouse having approximately 200,000 square feet which it now rents and which is located at Beach and Hyde Streets in San Francisco. The Company reports that there is no other suitable warehouse space available which it can rent and that therefore it has made arrangements to acquire warehouse premises. The application shows that it has entered into an agreement to purchase for \$150,988.73, a parcel of real property located on Napoleon Street near Evans Avenue, in San Francisco, having an area of approximately 205,000 square feet, and that it has commenced the construction thereon of a

warehouse building, approximately 390 feet long and 260 feet wide, at an estimated cost of \$300,000.

To finance in part the cost of acquiring the real property and of constructing the warehouse building, the Company proposes to borrow funds in accordance with the terms of a loan agreement (Exhibit "A") with American Trust Company and The Crocker First National Bank of San Francisco, hereinafter referred to as Banks, whereby said Banks have agreed to advance to it, on or before May 1, 1948, not exceeding \$450,000, said sums to be advanced in units and amounts of not less than \$100,000, each advance to be represented by two notes, one to each Bank. Each note shall be dated as of the date each advance is made and shall bear interest at the rate of 3% per annum, payable monthly, and shall provide for the payment of the principal on or before May 1, 1948. It is further provided in the agreement that on or before May 10, 1948, the Company may execute and deliver to each Bank a new note for the full amount of the principal then owing, each note to bear interest at the rate of 3% per annum, payable monthly, and to be payable in installments of not less than \$1,500 each per month, commencing on June 1, 1948, and continuing until the entire amount of the principal is paid, provided, however, that in any event all principal and interest remaining unpaid on May 1, 1953, shall then become due and payable.

The loan agreement provides that the entire proceeds of the loans are to be used for the purchase of certain property from the Western Pacific Railroad Company in San Francisco and the erection of a warehouse thereon, or to repay loans heretofore obtained from the Banks for that purpose, or to reimburse the Company for sums heretofore expended for that purpose.

Paragraph IV of the agreement provides as follows:

"Company covenants and agrees that so long as it is indebted to Banks on account of the notes issued under this agreement, without the prior written consent of Banks:

"(a) Company shall not use any of the proceeds of said loans except for the purchase of certain property from the Western Pacific Railroad Company in San Francisco and the erection of a warehouse thereon, or to repay loans heretofore obtained from Banks for such purposes or to reimburse Company for sums heretofore expended for such purpose.

"(b) Company shall not make any additional investment in fixed assets in excess of FIFTY THOUSAND DOLLARS (\$50,000) in any one year other than the normal repairs and replacement of machinery, equipment and buildings.

"(c) Company shall not create or incur or permit to exist any liabilities resulting from borrowings, loans or advances whether secured or unsecured, except the liabilities of Company to Banks for money borrowed hereunder and current liabilities or short-term borrowings from Banks or charges and expenses incident to the operation and maintenance of its business and properly incurred in the ordinary course of its business, all of which borrowings shall be paid by Company prior to any due date.

"(d) Company shall not declare or pay any dividend either in cash or in property on its capital stock, nor purchase or acquire in any way for any consideration any shares of its capital stock, or reclassify its capital stock, or issue additional shares, or change any of the rights or privileges of its shareholders.

"(e) Company shall not purchase or otherwise acquire through stock purchases, or otherwise, the assets or business of any other corporation, firm or entity, and shall not liquidate or dissolve, merge or consolidate with any other corporation, firm or entity by purchase, sale or otherwise, or sell, lease, assign or otherwise dispose of all or substantially all of its property, assets or business to any other corporation, firm or entity, or assign, pledge, mortgage, encumber or otherwise hypothecate any of its real or personal property, except that Company may expend a sum of not exceeding FIFTY THOUSAND DOLLARS (\$50,000) for the purchase of a one-third interest in Associated Freight Lines, Inc.

"(f) Company shall not guarantee or become liable in any way as surety, endorser or accommodation endorser, or otherwise, for the debt or obligation of any other person, firm or corporation.

"(g) Company shall not change the present character of its business or make any substantial change in its executive officers.

"(h) Company shall not make or grant any loan or advance to any stockholder, director, officer or employee or to any other person, firm, corporation or individual, nor permit any such advances which are now outstanding to become slow or delinquent."

The agreement further provides that all sums borrowed thereunder in excess of \$225,000, together with interest thereon, shall be guaranteed by Company's stockholders in the proportions set opposite their names, as follows:

Trustee under the will of	
Alice E. James, deceased	4/7ths
Henry F. Hiller	2/7ths
Dora O. Swayne	1/7th

Said guarantors shall execute such guaranty agreements as may be satisfactory to the Banks.

O R D E R

The Public Utilities Commission having considered the above entitled matter and being 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 through the issue of not exceeding \$450,000 of notes is reasonably required by San Francisco Warehouse Company 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. San Francisco Warehouse Company, after the effective date hereof and on or before May 1, 1948, may execute an agreement in, or substantially in, the same form as the agreement filed in

this proceeding as Exhibit "A" and may issue its notes in the aggregate amount of not exceeding \$450,000 in the form and manner and for the purposes set forth in said agreement.

2. The Company shall file with the Commission a report, or reports, of the issue of the notes herein authorized as required by the Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

3. The authority herein granted will become effective when the Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is four hundred fifty (\$450.00) dollars.

Dated at San Francisco, California, this 17th day of December, 1947.

Harold P. Hule
Justin F. Craven
Robert Powell
R. J. Dunning

Commissioners

