

Decision No. 90319 MAY 22 1979

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

APPLICATION OF MICHAEL L. ADAMS)	
AND SHARON MARIE ADAMS, HUSBAND)	
AND WIFE, ALTON T. DURANT AS)	Application No. 58667
EXECUTOR OF THE WILL OF MARY)	(Filed February 13, 1979)
ISABELLE BELLO AND ALTON T. DURANT)	
AS TRUSTEE OF THE BELLO CHARITABLE)	and
REMAINDER UNITRUST FOR AUTHORIZATION)	Amendment
TO ACQUIRE AND CONTROL LAKE GREGORY)	(Filed February 13, 1979)
WATER COMPANY, A PUBLIC UTILITY.)	

O P I N I O N

Michael L. Adams and his wife Sharon Marie Adams, request an order of the Commission (a) authorizing them to execute and enter into a stock purchase agreement with the stockholders of Lake Gregory Water Company (Lake Gregory), and (b) pursuant to such agreement authorize them to purchase from the present stockholders all of the issued and outstanding common stock, and to acquire control of the utility.

This application is made pursuant to Section 854 of the Public Utilities Code. Notice of the filing of the application appeared on the Commission's Daily Calendar of February 14, 1979.

Lake Gregory is a California corporation which provides public utility water service to approximately 1635 customers in the Lake Gregory area of San Bernardino County.

Lake Gregory's financial statements for year 1978, attached to the amended application as Exhibit B, indicate that the company had total operating revenues of \$203,650 and a net loss of \$79,335. Lake Gregory's balance sheet at December 31, 1978 is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Total utility plant, less reserves	\$545,428
Investments and fund accounts	7,717
Current and accrued assets	27,702
Deferred debits	<u>9,651</u>
Total	<u>\$590,498</u>
<u>Liabilities and Capital</u>	
Common stock equity	\$(152,406)
Current and accrued liabilities	695,978
Advances for construction	13,223
Contributions in aid of construction	<u>33,703</u>
Total	<u>\$590,498</u>

The buyers seek authority to execute and enter into a stock purchase agreement in substantially the same form as that attached to the application as Exhibit A. The terms of the agreement specify that the buyers will acquire the stock of Lake Gregory. In addition, they will acquire the stock of Lake Gregory Land and Water Company, Lake Gregory Enterprises, and Switzerland Chalets, Inc., all of which are nonutility companies. The purchase price for all of the outstanding capital stock of all of the companies is \$1,101,000. The application indicates that the purchase price has not been segregated for the respective corporations and no specific portion of the purchase price has been allocated to the shares of stock in Lake Gregory. The buyers' attorney, however, informed the Commission staff by letter dated March 16, 1979, that the amount of the purchase price to be allocated to the Lake Gregory is \$472,318. This amount represents the rate base adopted by the Commission in Decision No. 89496, dated October 3, 1978, in Application No. 57146.

The reasons the sellers are entering into the agreement for the sale of stock are that they are unable to provide sufficient funds and management to carry on the businesses of four corporations. The buyers are entering into the transaction to acquire the four companies as a business investment.

The application states that the buyers propose to carry on the business of the Lake Gregory Land and Water Company in further developing the Lake Gregory area and the lands owned by that company and to carry on the business of the Lake Gregory Water Company to continue the service of water in the Lake Gregory area. It is the further intention of the buyers to cause Lake Gregory Water Company to complete the loan under the California Safe Drinking Water Bond Act of 1976 which has now been approved by the Department of Water Resources for the purpose of constructing facilities for the water company and to advance funds necessary to place the utility in an acceptable financial condition.^{1/}

The application indicates that the proposed officers of Lake Gregory will be Michael L. Adams, President and Treasurer, Mark L. Adams, Executive Vice President and General Manager, and Sharon Marie Adams, Secretary. The attorney for the buyers informed the Commission staff that Michael L. Adams and Mark L. Adams have been managing the company and its operations on an interim basis.

The attorney for the buyers provided the staff with the experience and qualifications of the proposed management and operating employees of Lake Gregory, as follows:

^{1/} Lake Gregory Water Company filed Application No. 58699 on February 2, 1979, for authority to borrow funds under the Safe Drinking Water Bond Act and to add a surcharge to water rates in order to repay the principal and interest on the loan.

- (a) Michael L. Adams commenced his business career as a real estate broker, leaving that business to become involved in law enforcement having received a bachelor's degree in criminal sciences from the California State University-Fresno. After a short career as a member of the Sheriff's Department of the County of Ventura and the United States Secret Service, he entered into private business. He has been a successful owner and operator of various businesses. At the present time he is the owner and operator of Art's Blinker Lights of Ventura, Lee's Bar Stools and Dinette in Ventura and the Kona Sunset Hotel located in Kona, Hawaii. In addition, he is the owner and operator of the Corner Shopping Center located at Main and Pacific Avenue in Ventura.
- (b) Mark L. Adams holds a college preparatory associate in arts degree. In addition to the courses taken pursuant to that degree, he has successfully completed numerous supplemental business courses from accredited colleges. For 5-1/2 years he managed the Subdivision Department of Safeco Title Company in Ventura. For 2-1/2 years he was the Director of Marketing of Placer County for the Western Title Insurance Company at Auburn, California. Upon leaving the Western Title Insurance Company, he joined his brother Michael L. Adams in the operation and management of his various business enterprises. Since acting as Manager of Lake Gregory, he enrolled in a water systems operation course at the San Bernardino Community College which is offered for the purpose of preparing for the examination of the Department of Health Services for water treatment operator's certificate.
- (c) Oliver W. Steva, who has been field superintendent for Lake Gregory and in charge of the system's operations for 12 years, will be retained in that capacity.
- (d) Mr. Dalstrom, who has also been employed by the company to conduct field operations under the supervision of Mr. Steva, will be retained in the employ of the company.
- (e) Mr. William Carter, who has acted as accountant for the Lake Gregory Water Company, originally on the payroll and for the last 2 years as consulting accountant, has been retained to assist in the financial accounting affairs of the company.

The buyers' attorney has informed the Commission staff, by letter dated March 16, 1979, that Michael L. Adams has a net worth of about \$5,000,000 and has the financial ability to inject

new capital in the system. Since assuming the interim management of Lake Gregory in December, 1978, he has advanced over \$200,000 to retire the combined debt of Lake Gregory and its nonutility affiliate Lake Gregory Land and Water Company. Lake Gregory at that time was in a distressed financial condition. There was a payroll due without sufficient funds in the bank to meet it. There was a water bill due the Crestline Lake Arrowhead Water Agency for the previous month's water furnished the company for delivery to its consumers. There was \$15,449.00 in delinquent taxes due. There were substantial accumulated accounts payable.

The staffs of the Commission's Utilities and Finance Divisions have no objection to the agreement for the sale of stock nor for the acquisition of control of Lake Gregory by the buyers.

Mr. James L. Mayfield, Supervisor First District, by letter dated March 20, 1979, expressed his concern and that of his constituents as to the expertise and capabilities of the persons requesting authority to acquire Lake Gregory. The staff, by letter dated April 5, 1979, has replied to Mr. Mayfield and explained the staff's participation. No protest has been received nor has there been a request for a formal public hearing.

Findings of Fact

1. The control of Lake Gregory by the buyers through acquisition of all the outstanding capital stock of Lake Gregory pursuant to the proposed agreement would not be adverse to the public interest.
2. There is no formal opposition and no request for a formal public hearing.
3. There is no reason to delay granting the authority requested.

Conclusions of Law

1. The application should be granted to the extent set forth in the orders which follow.
2. A public hearing is not necessary.

The authorization granted herein is for the purposes of this proceeding only, and is not to be construed as a finding of the value of the assets or capital stock of Lake Gregory.

O R D E R

IT IS ORDERED that:

1. Michael L. Adams and Sharon Marie Adams, and the stockholders of Lake Gregory Water Company may execute and enter into an agreement for the sale of stock in substantially the same form as that shown as Exhibit A, attached to the application.
2. Michael L. Adams and Sharon Marie Adams may acquire control of all the outstanding capital stock of Lake Gregory Water Company.
3. Michael L. Adams and Sharon Marie Adams may acquire control of Lake Gregory Water Company.
4. Within ninety days after the date hereof, Michael L. Adams and Sharon Marie Adams and Lake Gregory Water Company shall file reports informing the Commission whether or not the control authorized has been completed.

The effective date of this order shall be thirty days after the date hereof.

Dated at San Francisco, California, this 22nd day of MAY, 1979.

John E. Guyer
President

Richard L. Stapp

Charles W. Howell

Clair J. DeLoach

Thomas J. ...
Commissioners