

A.59487 RR/lq

Decision No. 91877 JUN 3 1980

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of:

COMPASS TRADING CO., INC., a  
California corporation, for authority  
to issue additional stock pursuant to  
Sections 816 et seq., of the California  
Public Utilities Code.

Application No. 59487  
(Filed February 29, 1980)

O P I N I O N

Compass Trading Co., Inc., (Compass) a California corporation, seeks authority to issue 21 shares of its \$100 par value capital stock for \$50,000 cash advanced to the company for working capital.

This authority is sought pursuant to Sections 816 through 818 of the Public Utilities Code. Notice of the filing of the application appeared on the Commission's Daily Calendar of March 4, 1980.

Compass is a public utility warehouseman as defined by Section 239(b) of the Public Utilities Code and holds a certificate of public convenience and necessity to operate 120,000 square feet of storage or warehouse floor space in Milpitas, California, pursuant to Decision No. 89037, dated June 27, 1978, in Application No. 58050.

According to the application, Compass has a need for additional working capital to be utilized for the improvement or maintenance of its service.

The proposed issuance of common stock would be sold to Norman Houghtaling in cancellation of \$50,000 indebtedness to him pursuant to an Agreement of Purchase and Sale of Stock, attached to the application as Appendix A. Norman Houghtaling has been employed by Compass for approximately 10 years and is presently the General Manager and one of the Directors of the company.

After the issuance of the proposed shares, each of the three stockholders will hold 21 shares of voting common stock.

Norman Houghtaling would be paying approximately \$2,380.90 per share for Compass stock. The 1979 Annual Report to the Commission indicates that at December 31, 1979, the adjusted book value of the outstanding stock had a negative value of \$1,735.10 per share.

In response to the Commission's staff inquiry concerning the reasonableness of the purchase price for the common stock, Norman Houghtaling stated by letter dated April 3, 1980 as follows:

"I am convinced that the purchase by me of the stock is in my best interests and will further contribute to the ability of Compass to effectively serve the public. In arriving at my conclusion, I have retained and consulted with an independent accountant and an independent counsel."

A balance sheet dated December 31, 1979, as summarized from applicant's Annual Report to the Commission is as follows:

| <u>Assets</u>   | <u>Amount</u>    |
|---|------------------|
| Current Assets  | \$263,836        |
| Property and Equipment (Net)  | 134,510          |
| Other Assets  | 45,003           |
| Total   | <u>\$443,349</u> |
| <u>Liabilities and Capital</u>  |                  |
| Current Liabilities   | \$318,839        |
| Long-Term Debt  | 147,384          |
| Shareholders Equity (Includes<br>Common Stock Subscribed of \$50,000) | (22,874)         |
| Total   | <u>\$443,349</u> |

Total operating revenues and net income for the year 1979 were \$1,423,511 and \$24,532, respectively.

The Transportation Division and the Revenue Requirements Division of the Commission staff have reviewed the proposed transaction and consider the request of Compass to be reasonable.

Findings of Fact

1. Compass is a public utility warehouseman under the jurisdiction of this Commission.
2. The proposed stock issue would be for a proper purpose.
3. The money, property or labor to be procured or paid for by the stock herein authorized is reasonably required for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.
4. There is no known opposition and there is no reason to delay granting the relief requested.

Conclusions of Law

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

In issuing this decision we place Compass and its shareholders on notice that we do not regard the number of shares outstanding nor the purchase price of the shares as measuring the return it should be allowed to earn on its investment in plant, and that this authorization is not to be construed as a finding of the value of the company's stock or property, nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

ORDER

IT IS ORDERED that:

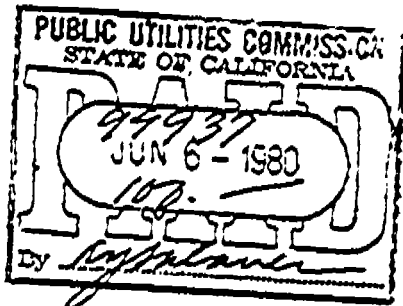
1. Compass Trading Co., Inc., on or after the effective date hereof and on or before September 30, 1980, may issue and deliver to Norman Houghtaling 21 shares of its \$100 par capital stock for \$50,000 cash advanced to it for working capital.
2. Compass Trading Co., Inc. shall file with the Commission the report required by General Order 24-B, which order, insofar as applicable, is hereby made a part of this order.
3. This order shall become effective when Compass Trading Co., Inc. has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$100.

Dated JUN 3 1980, at San Francisco, California.

John E. Bryan  
President

Norman L. Houghtaling  
Robert C. Woods

Samuel M. Prins  
Commissioners



Commissioner Claire T. Dedrick, being necessarily absent, did not participate in the disposition of this proceeding.