

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of ICS COMMUNICATIONS, a California corporation, G. B. PETERSON, an individual, MARGIE H. PETERSON, an individual, J. F. GUERING, an individual, MERIKAY GUERING, an individual, G. W. PETERSON, an individual, and R.C.S. INCORPORATED, a California corporation, for Transfer of Control of R.C.S. INCORPORATED.

Application 84-04-040
(Filed April 9, 1984)

O P I N I O N

ICS Communications (ICS), a California corporation, G. B. Peterson, an individual, Margie H. Peterson, an individual, J. F. Guhring, an individual, Merikay Guhring, an individual, G. W. Peterson, an individual (all of said individuals being collectively referred to as sellers), and R.C.S. Incorporated (RCS), a California corporation, request authority for ICS to control RCS through the purchase from sellers of all of the issued and outstanding stock of RCS. Copies of the application were served on Coast Mobilphone Service, Fresno Mobile Radio, Inc., Kidd's Communications, Inc., Salinas Valley Radio Telephone Company, MCI Airsignal of California, General Telephone Company of California, and Pacific Bell. Notice of the filing of the application appeared in the Commission's Daily Calendar of April 9, 1984. No protests to the application have been received.

The application shows that ICS is a radiotelephone public utility which performs two-way mobile and one-way paging service in major portions of Orange, San Bernardino, Riverside, Ventura, and Los Angeles Counties, and the northern portion of San Diego County. ICS owns Chalfont Communications which performs two-way mobile and one-way paging radiotelephone service in Palm Springs, Palm Desert, and

adjacent areas. For the year ended December 31, 1983 ICS had consolidated revenue of almost \$12 million and net income before taxes of \$1.4 million. As of that date ICS had a net worth of approximately \$34 million, including good will of \$21.6 million.

ICS is a wholly-owned subsidiary of Metromedia, Inc. a group broadcasting company which owns and operates seven TV stations and owns radiotelephone public utilities which perform service in New York, New Jersey, Rhode Island, New Hampshire, Texas, Connecticut, Massachusetts, Illinois, and California. Metromedia had consolidated revenues of \$532.7 million for the year ended December 31, 1983 and net income of \$102.1 million. On that date it had a net worth of approximately \$1.3 billion.

RCS is a radiotelephone public utility which provides two-way mobile and one-way paging radiotelephone service to the Cities of Santa Maria, San Luis Obispo, and Paso Robles and to portions of the Counties of San Luis Obispo, and Santa Barbara. It also provides VHF marine service to the central coastal waters of the Pacific Ocean. For the year ended December 31, 1983 RCS had total income of \$2.2 million and net income of \$116,803. As of that date it had a net worth of \$987,537.

Sellers, between them, own all of the issued and outstanding stock of RCS, which total 500,000 shares. Under the Stock Purchase Agreement between ICS and the sellers the total purchase price for the stock is \$3.1 million cash or \$6.20 per share, payable in accordance with the respective holdings of the sellers, on the closing date in immediately available federal funds wired to the account of each seller or its designatee.

The purchase price for the stock will be totally funded by a capital contribution to ICS from its parent Metromedia.

The application states that the difference between the book value of the stock of RCS to be acquired by ICS and the purchase price is attributable to numerous factors, including the value of the

customer lists of RCS, its value as a going concern, the scope quality, and extent of the licenses and assets owned by and operations of RCS, a market evaluation by ICS, and its plans to institute a substantial and aggressive marketing program.

Upon consummation of the transfer of control, management responsibility for RCS will reside in the officers and management of ICS and its parent Metromedia. Initially, there will be no change in the operating staff or existing tariffs of RCS, but the staff will be augmented as necessary as additional facilities are added. Sufficient maintenance personnel will be provided to insure, in accordance with past practice, prompt restoration of service in event of outages.

Applicants allege that the transfer is in the public interest for the following reasons: Through the requested transfer of control, RCS will be better able to participate in the rapid technological changes and new service possibilities developing in the radiotelephone utility industry. This industry is becoming increasingly competitive and capital-intensive, and the cost of developing, engineering, and providing state-of-the-art efficient and sophisticated service is steadily increasing. ICS and Metromedia will not only bring valuable experience to assist RCS in its future plans, but will also contribute materially to the financial resources necessary to participate fully in the growth of RCS and enable RCS to maintain its competitive position. Transfer of control of RCS to ICS will meet the public demand and need for the latest available competitive and sophisticated radiotelephone services and related telecommunication services, which would be beyond the financial resources of RCS to achieve under present ownership.

Findings of Fact

1. ICS requests authority to control RCS through the purchase of all of the issued and outstanding stock of RCS which is owned by the sellers.

2. ICS performs radiotelephone public utility service in the major portions of Orange, San Bernardino, Riverside, Ventura, and Los Angeles Counties, and the northern portion of San Diego County.

3. For the year ended December 31, 1983 ICS had consolidated revenue of almost \$12 million and net income before taxes of \$1.4 million and as of that date ICS had a net worth of approximately \$34 million.

4. RCS is a radiotelephone public utility which provides service in the Cities of Santa Maria, San Luis Obispo, and Paso Robles, and to portions of the Counties of San Luis Obispo and Santa Barbara.

5. For the year ended December 31, 1983 RCS had total income of \$2.2 million and net income of \$116,803 and as of that date had a net worth of \$987,537.

6. Total purchase price for the stock is \$3.1 million cash (\$6.20 per share) which will be totally funded by a capital contribution to ICS from Metromedia, the parent company of ICS.

7. As of December 31, 1983 Metromedia had a net worth of approximately \$1.3 billion.

8. Transfer of control of RCS to ICS will meet the public demand and need for the latest available competitive and sophisticated radiotelephone services and related telecommunication services, which would be beyond the financial resources of RCS to achieve under present ownership.

9. The proposed transaction is not adverse to the public interest.

10. A hearing is not necessary.

Conclusion of Law

The application should be granted.

Only the amount paid to the State for operative rights may be used in rate fixing. The State may grant any number of rights and may cancel or modify the monopoly feature of these rights at any time.

O R D E R

IT IS ORDERED that:

1. Application 84-04-040 is granted and ICS Communications may acquire control of R.C.S. Incorporated as provided in the application.

2. Written notice of the consummation of the control transaction authorized shall be filed with the Commission within ten days after its completion.

3. The application is granted as set forth above.

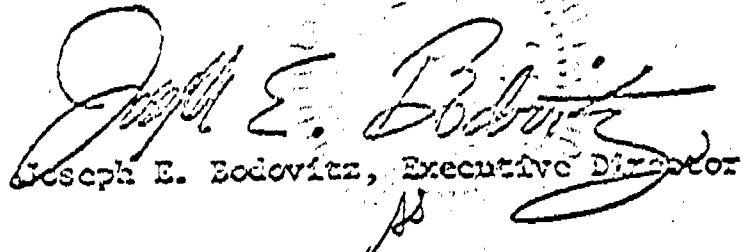
This order becomes effective 30 days from today.

Dated JUN 20 1984, at San Francisco, California.

LEONARD M. GRIMES, JR.
President

VICTOR CALVO
FRISCILLA C. GREW
DONALD VIAL
WILLIAM T. BAGLEY
Commissioners

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


Joseph E. Bodovitz, Executive Director