

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
Kidd's Communications, Inc., a
California corporation, Bessie V.
Kidd, an individual, George
S. Gillam, an individual, Ruth M.
Gillam, an individual, and ICS
Communications, a California
corporation, for transfer of control
of Kidd's Communications, Inc.

Application 84-05-042
(Filed May 11, 1984)

O P I N I O N

Applicants Kidd's Communications, Inc. (Kidd's), a California corporation, individuals Bessie V. Kidd, George S. Gillam, and Ruth M. Gillam (sellers), and ICS Communications (buyer), a California corporation, request authority to transfer control of Kidd's from sellers to buyer through the purchase by buyer from sellers of all of the issued and outstanding capital stock of Kidd's. Notice of the filing of the application was published in the Commission's Daily Calendar of May 16, 1984. The application shows that copies of the application were served on Coast Mobilphone Service, Fresno Mobile Radio, Inc., RCS, Inc., Mobilfone, Valley Mobile Communications, MCI Airsignal of California, General Telephone Company of California, Pacific Bell, and Continental Telephone Company of California. No protests to the application have been received.

Both Kidd's and the buyer perform a comparatively full range of public utility radiotelephone services in their respective service areas. Kidd's serves the Cities of Bakersfield, Kettleman, Delano, Taft, Wasco, Shafter, and portions of the Counties of Kern, Tulare, Fresno, Kings, Santa Barbara, San Luis Obispo, and Los Angeles. Buyer serves major portions of the Counties of Orange, San Bernardino, Riverside, Ventura, and Los Angeles, and the northern portion of San Diego County.

The outstanding stock of Kidd's consists of 3,000 Class B common shares and 57,000 Class A common shares, of which 33,000 shares (Class A and Class B) are owned by Bessie V. Kidd, and 27,000 shares (Class A & B) are owned by George S. Gillam and Ruth M. Gillam, husband and wife. For the year ending December 31, 1983 Kidd's had gross revenue of \$2,796,698 and a net profit before taxes of \$176,529. On that date Kidd's had assets with a book value of \$1,553,948, liabilities of \$373,236, and a net worth of \$1,180,712.

The application shows that buyer, which owns Chalfont Communications, a radiotelephone public utility serving Palm Springs, Palm Desert, and adjacent areas, and Peak Rentals, had consolidated net income for the year ending December 31, 1983 of \$1,357,370 and as of that date had a net worth of \$33,857,370, including \$21,635,703 of goodwill. Buyer is a wholly owned subsidiary of Metromedia, Inc., which is a group broadcasting company owning and operating 7 television stations and 7 AM and 6 FM radio stations. Metromedia also owns radiotelephone utilities in New York, New Jersey, Rhode Island, New Hampshire, Texas, Connecticut, Massachusetts, Illinois, and California. The application shows Metromedia had a consolidated net worth of \$198,470,000 as of December 31, 1983. The application states that Metromedia will fund the proposed transfer of control transaction by a capital contribution to buyer from Metromedia.

Under the Stock Purchase Agreement buyer will purchase all of the issued and outstanding stock of Kidd's owned by the sellers, for a total of \$5 million, payable by certified or bank checks to the order of each seller in accordance with each seller's stock holding. Applicants attribute the difference between the book value of the Kidd's stock to be acquired by buyers and the purchase price to numerous factors, including the value of the customer lists of Kidd's utility and non-utility business, its value as a going concern, the scope, quality, and extent of the licenses and assets owned by and operations of Kidd's, a market evaluation by buyer, and buyer's plans to institute a substantial technical, marketing and expansion program.

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

Applicants contend that through the requested transfer of control Kidd's will be better able to participate in the rapid technological changes and new service possibilities developing in the radiotelephone utility industry. Such industry is becoming increasingly competitive and capital-intensive, and the cost of developing, engineering and providing state of the art, efficient, and sophisticated radiotelephone utility service is steadily increasing. Buyer and Metromedia will not only bring valuable experience to assist Kidd's in its future plans, but will also contribute materially to the financial resources necessary to fully insure the growth of Kidd's and enable Kidd's to maintain its competitive position.

Findings of Fact

1. Applicants request authority to transfer control of Kidd's from sellers to buyer through the purchase by buyer from sellers of all of the issued and outstanding stock of Kidd's.

2. Both buyer and Kidd's perform a comparatively full range of public utility radiotelephone services in their respective service areas which overlap only to a minor extent.

3. For the year ending December 31, 1983 Kidd's had gross revenue of \$2,798,698 and a net profit before taxes of \$176,529.

4. As of December 31, 1983 Kidd's had assets of a book value of \$1,553,948, liabilities of \$373,236, and a net worth of \$1,180,712.

5. Buyer had a consolidated net income for the year ending December 31, 1983 of \$1,357,370 and as of that date had a net worth of \$33,857,370.

6. Buyer's parent company is Metromedia, which is a group broadcasting company and owner of radiotelephone utilities in nine states.

7. Metromedia had a consolidated net worth of \$198,470,000 as of December 31, 1983.

8. Under the Stock Purchase Agreement entered into between buyer and sellers the total purchase price for Kidd's stock is \$5 million.

9. The purchase price will be funded by Metromedia by a capital in the amount of the purchase price to ICS from Metromedia.

10. Through the requested transfer of control Kidd's will be better able to participate in the rapid technological changes and new service possibilities developing in the radiotelephone industry.

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

12. A public 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.

This authorization is not a finding of the value of the rights and properties of Kidd's for rate-making purposes. Buyer is placed on notice that only the net book value of the property transferred may be used in setting rates in the future.

O R D E R

IT IS ORDERED that:

1. ICS Communications is authorized to control Kidd's Communications, Inc. according to the terms of Application 84-05-042.

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

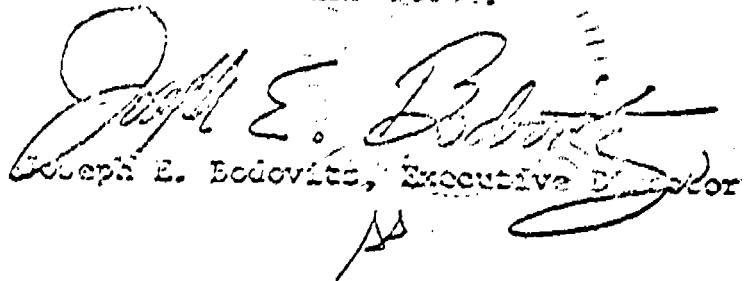
3. The application is granted as set forth above.

This order becomes effective 30 days from today.

Dated JUL 18 1984, at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
PRESQUELLA 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