

Decision 84-09-027 September 6, 1984

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
Mobile Communications Corporation of  
America, a Delaware corporation; and  
Orange County Radiotelephone Service,  
Inc., a California corporation;  
pursuant to Public Utilities Code  
Section 854.

Application 84-07-051  
(Filed July 16, 1984)

O P I N I O N

Applicants Mobile Communications Corporation of America (Mobile America) and Orange County Radiotelephone Service, Inc. (Orange) request authority for Mobile America to control Orange through the purchase by Mobile America of all of the issued and outstanding stock of Orange. A copy of the application was served on 13 entities who perform public utility radiotelephone service in the Los Angeles-Orange County area. Notice of the filing of the application appeared in the Commission's Daily Calendar of July 20, 1984. No protests to the application have been received.

Mobile America is a publicly held corporation which conducts public utility radiotelephone service in various areas of the country. In Southern California, such businesses are conducted through wholly owned subsidiaries including Mobilecomm of Los Angeles, Inc., Mobilecomm of Long Beach, Inc., Mobilecomm of San Bernardino, Inc., and Mobilecomm of Ventura, Inc. These subsidiaries provide one-way and two-way interconnected radiotelephone services throughout a wide coastal area extending south from Montecito on the north approximately to Laguna Beach on the south. As of December 31, 1983, Mobile America had assets totaling approximately \$82,892,132, including an item of \$26,782,270 for Certificates of Authority,

liabilities of \$47,133,944, and a net worth of \$34,758,188. For the calendar 1983, Mobile America had consolidated revenues of \$32,483,756 and a net income of \$2,918,328.

Orange is a radiotelephone public utility which serves a land area within a line extending generally north from Long Beach to Pasadena, thence east to Lake Arrowhead, thence south to Beaumont, thence south to Camp Pendleton. It also provides automatic interconnected mobile telephone service in the Los Angeles area. As of April 30, 1984, Orange had assets of approximately \$1,843,353, liabilities of \$809,682, and a net worth of \$1,035,671. For the four months ended April 30, 1984, Orange had revenues of \$800,356, expenses of \$675,949, and a net profit before taxes of \$124,407. All of the issued and outstanding stock of Orange is currently owned by Benjamin H. Warner (Warner).

By agreement entered into June 11, 1984 between Mobile America and Warner, Mobile America has agreed to buy and Warner to sell all of the issued and outstanding stock of Orange, which comprises 100 shares, for the following consideration to be paid by Mobile America to Warner:

- (a) Payment upon closing of \$4 million in cash;
- (b) A promissory note in the principal amount of \$5 million, and bearing interest at 10% per annum, which shall be payable in 40 equal quarterly installments of principal and interest, commencing on the first day of the calendar quarter immediately following the closing date; and
- (c) The transfer to Warner of common shares in Mobile America, the value of which shall be equal to \$1 million, based upon the average of the closing bid and ask quotations for Mobile America's Class A common stock as of June 11, 1984.

As security for the payment of the note, Mobile America has agreed to pledge with Warner all of the involved stock. During the pledge period and so long as Mobile America is not in default in the performance of any obligation for which the pledge is made, Mobile America has the right to receive all dividends and to vote the stock with respect to any and all corporate questions.

Mobile America contends that the funds necessary to consummate the transaction are available through its liquid assets now on hand, as well as cash flow reasonably anticipated over the term of the promissory note.

Mobile America states that it has no present intention of merging or consolidating Orange with Mobile America or any of Mobile America's California subsidiaries.

Applicants state that in order to compete effectively, Orange is faced with the necessity of greatly increasing capital expenditures, and integrating its radiotelephone system into those of other carriers so that subscribers may obtain services throughout a larger area than previously served by Orange. Orange, as a small, family-owned business, is not presently in a position to raise the capital necessary to maintain its system as a state-of-the-art enterprise capable of competing effectively over the long term. Mobile America, however, is a nationally known, publicly held entity, which has successfully constructed and managed radiotelephone systems in many different environments, and has direct experience with the Southern California market. In addition, applicants have concluded that their operations are extremely compatible insofar as the service areas of Mobile America's subsidiaries and that of Orange are immediately contiguous, and insofar as all of the carriers in question share licenses on 152.24 megahertz, which is the frequency best suited for providing sophisticated, wide-area paging services in

Southern California. Applicants believe that common ownership will make it possible further to integrate their systems, and thereby achieve greater technical and economic efficiencies.

Findings of Fact

1. Applicants request authority for Mobile America to control Orange through the purchase by Mobile America from Warner of all of the issued and outstanding stock of Orange.

2. Orange is a radiotelephone public utility operating in portions of Southern California.

3. Mobile America owns four subsidiary companies which perform public utility radiotelephone service in parts of Southern California.

4. As of April 1, 1984, Orange had assets of \$1,843,353, liabilities of \$809,682, and a net worth of \$1,035,671, and for the four months ended on that date had a net profit before taxes of \$124,407.

5. As purchase price for the stock, Mobile America has agreed to pay Warner \$4 million in cash, \$5 million evidenced by a promissory note, and common shares of Mobile America equal in value to \$1 million.

6. To secure payment of the note, Mobile America will pledge the stock to Warner, but Mobile America will be entitled to vote the stock as well as to receive all dividends.

7. Mobile America's present intention is to keep Orange as a separate subsidiary company after assuming control.

8. The proposed transaction will permit Mobile America to integrate Orange's system into the systems of other Mobile America's subsidiaries and thereby achieve greater technical and economic efficiencies and permit subscribers to obtain services throughout a larger area than previously served by Orange. ✓

9. The proposed transaction will also put Orange in a better position to obtain capital to maintain and update its system.

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

11. 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 cancel or modify the monopoly of feature of these rights at any time.

This authorization is not a finding of the value of the rights and properties of Orange for ratemaking purposes. Mobile America is placed on notice that only the net book value of the property may be used in setting rates in the future.

O R D E R

IT IS ORDERED that:

1. Mobile Communications Corporation of America is authorized to control Orange County Radiotelephone Service, Inc. according to the terms of Application 84-07-051.

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

A.84-07-051 ALJ/jc

3. The application is granted as set forth above.

This order becomes effective 30 days from today.

Dated SEP 6 1984, at San Francisco, California.

LEONARD M. GRIMES, JR.  
President

VICTOR CALVO

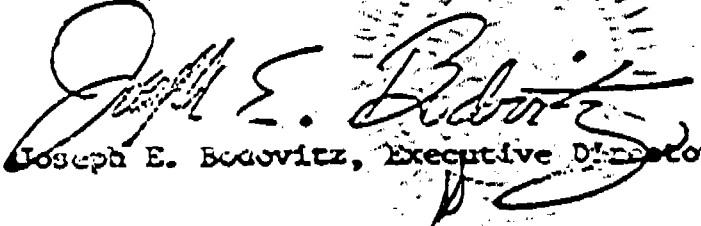
PRISCILLA C. GREW

DONALD VIAL

WILLIAM T. BAGLEY

Commissioners

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

  
Joseph E. Bogovitz, Executive Director

Decision 84 C9 027

SEP 6 1984

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