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Decision 92-02-033 February 5, 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Joint
 Application of Hellman & Friedman
 Capital Partners II, L.P., a
 California limited partnership;
 General Cellular Corporation, a
 Delaware corporation; and Butte
 County Cellular License Corporation,
 a Delaware corporation (U-3022-C)
 for an order authorizing the
 transfer of control of Butte County
 Cellular License Corporation
 resulting from the restructuring of
 the debt of General Cellular
 Corporation pursuant to Public
 Utilities Code Section 854.

ORIGINAL

Application 91-10-056
(Filed October 23, 1991)

In the Matter of the Joint
 Application of Hellman & Friedman
 Capital Partners II, L.P., a
 California limited partnership;
 General Cellular Corporation, a
 Delaware corporation; and Mammoth
 Cellular, Inc., a Delaware
 corporation (U-3025-C) for an order
 authorizing the transfer of
 control of Mammoth Cellular, Inc.
 resulting from the restructuring of
 the debt of General Cellular
 Corporation pursuant to Public
 Utilities Code Section 854.

Application 91-10-057
(Filed October 23, 1991)

O P I N I O N

I. Summary

By this decision, we grant authority to transfer control of Mammoth Cellular, Inc. (Mammoth) and Butte County Cellular License Corporation (Butte) to Hellman & Friedman Capital Partners II, L.P. (Hellman), a California limited partnership. We also

consolidate Application (A.) 91-10-056 requesting transfer of control of Butte and A.91-10-057 requesting transfer of control of Mammoth. Both applications assert identical facts and seek identical relief.

II. Background

On October 23, 1991, Hellman and General Cellular Corporation (GCC) jointly filed A.91-10-056 with Butte and jointly filed A.91-10-057 with Mammoth (hereinafter referred to collectively as applicants).

Applicants jointly filed their request pursuant to Public Utilities (PU) Code § 854, requesting authority to transfer control of the two cellular licensees, Butte and Mammoth, respectively. Both applications were served on the interested parties in the proceeding as noted in Application Exhibit A. No protests to the granting of the application were filed. Accordingly, these joint applications are being treated on an ex parte basis.

Applicant transferor is GCC, a publicly-held corporation. GCC owns and operates three cellular systems in California. Two of these, Mammoth and Butte, are the subject of this decision. The third, California Cellular 9 Corporation, is subject to a sale requested to be authorized in A.91-09-005.

Mammoth owns and operates a cellular mobile radio system in the counties of Inyo and Mono, California pursuant to Decision (D.) 90-08-020. Butte provides cellular mobile radio service in Butte County, California, pursuant to D.89-02-070.

During 1989 and 1990, GCC was unsuccessful in raising sufficient amounts of equity capital to fund startup operations for Butte and Mammoth. Thus, GCC and its operating subsidiaries utilized primarily debt financing for the build out and commencement of initial operations for its three California

systems. GCC has been unable to secure needed financing to service its debt and finance continued system expansion. Applicants' proposed transfer of control of Butte and Mammoth is intended to provide additional equity financing for GCC and its subsidiaries to finance system expansion.

Applicant transferee Hellman, a California limited partnership, was established for investment purposes, including the acquisition of a majority of common shares of GCC.

III. Terms of the Transfer

As a condition of the proposed ownership transfer, GCC must go through a bankruptcy reorganization process and obtain approval of the Plan in Bankruptcy (Case No. 3 91 4301 TC), filed October 21, 1991 in the United States Bankruptcy Court for the Northern District of California. Applicants anticipate that GCC could have a Plan of Reorganization confirmed by the Bankruptcy Court and emerge from the bankruptcy as early as the first quarter of 1992.

Under applicants' proposed transfer plan, for purposes of carrying out the Plan of Reorganization, GCC Holdings Corporation (Holdings) will retire most of GCC's outstanding debt. The majority shareholder of Holdings is Hellman. The other Holdings shareholders include H&F Orchard Partners, L.P. (Orchard) and Stanton Communications, Inc. (Stanton). Hellman, Orchard, and Stanton are collectively referred to as the "Investor Group."

In exchange for the debt retirement, Holdings would receive approximately 80% of the issued and outstanding common shares of GCC. Through its ownershipshare of Holdings, Hellman would own about 69% of GCC's common stock after reorganization. Holdings will be merged into GCC when GCC emerges from bankruptcy. Applicants assert that the net result of these transactions would

greatly reduce GCC's debt obligations and improve the financial status of GCC and its subsidiaries, Mammoth and Butte.

Applicants appended the Plan of Reorganization as filed with the Bankruptcy Court as Exhibit D of each captioned application. By letter dated December 23, 1991, applicants sent the assigned Administrative Law Judge an Amended Plan of Reorganization (Amended Plan). The Amended Plan does not materially change the expected end result of the bankruptcy process, though the method by which GCC's stock would go through the Investor Group has changed in form. A pro forma balance sheet adjusted for GCC's planned reorganization is presented as Appendix A to this decision.

Only GCC is intended to go through the bankruptcy process while none of its subsidiaries in California will be parties to the bankruptcy proceeding. The transferees presently intend to continue Mammoth's and Butte's cellular service without interruption to the public at the same rates, terms, and conditions currently described in Mammoth's and Butte's lawful tariffs. Operations will continue to be managed by existing officers and employees of GCC, Mammoth, and Butte, as is currently the case. Interim short-term financing will be provided by ongoing service revenues, and, if necessary, from short-term advances by the Investor Group.

IV. Discussion

The financial difficulties being experienced by GCC raise serious concerns about the ability of its subsidiaries, Mammoth and Butte, to continue providing reliable cellular service within their service territories. The proposed transfer of ownership and bankruptcy plan of reorganization would provide a much-needed source of equity capital for the subsidiaries' servicing of demand growth.

In accordance with PU Code § 854, we conclude that the proposed transfer of ownership control of Mammoth and Butte is in the public interest and should be approved. The exchange of GCC's debt for equity as a part of its bankruptcy reorganization plan should enhance GCC's financial health and the ability of its subsidiaries, Mammoth and Butte, to fund necessary system growth to meet customer demand. No party opposes applicants' proposal.

Findings of Fact

1. Mammoth and Butte operate cellular mobile radio service within California as subsidiaries of GCC.

2. Applicants jointly filed two applications on October 23, 1991, requesting authority to transfer control of Mammoth and Butte Cellular companies to Hellman.

3. GCC has been unable to secure needed financing to service its debt and finance continued operations of its California-owned cellular companies.

4. Holdings, whose principal shareholder is Hellman, would retire most of GCC's debt in exchange for about 80% of the issued and outstanding common shares of GCC under the terms of the proposed transfer.

5. Hellman is a San Francisco-based investment partnership with current assets of approximately \$55 million, as well as binding commitments for the partnership contributions of an additional \$439 million.

6. After the proposed transfer, operations of the companies will continue to be managed by existing officers of GCC, Mammoth, and Butte, as is currently the case.

7. Transferees presently intend to continue cellular service for Mammoth and Butte without interruption at the same rates, terms, and conditions as described in the utilities' lawful tariffs.

8. The proposed transfer of ownership of Mammoth and Butte and related financing arrangements will enhance the companies' ability to finance needed system expansion which would not otherwise be feasible given GCC's current debt load.

9. No party has filed a protest to either of the applications.

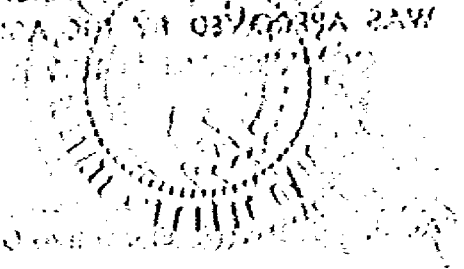
Conclusions of Law

1. No public hearing is necessary on these applications.
2. A.91-10-056 and A.91-10-057 are consolidated for purposes of this order.
3. The transfer of control of Mammoth and Butte as proposed by applicants is in the public interest and should be approved pursuant to PU Code § 854.
4. This authorization is not a finding of the value of the rights and properties to be transferred.
5. The rates, terms, and conditions of service as presently in force under the current tariffs of Mammoth and Butte shall not be changed as a result of the transfer authorized herein.
6. In the interest of assuring uninterrupted service to the customers of Mammoth and Butte, this order should be made effective immediately.

ORDER

IT IS ORDERED that the transfer of control of Mammoth Cellular, Inc. and Butte County Cellular License Corporation to Hellman & Friedman Capital Partners II, L.P. is hereby conditionally authorized on substantially the terms proposed by applicants, as presented in applicants' Exhibit D, the Plan of Reorganization (in re: General Cellular Corporation). The

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A.91-10-056, A.91-10-057 ALJ/TRP/vd1

authorization is conditional upon approval of the plan in United States Bankruptcy Court, and upon obtaining any other necessary legal or administrative approvals.

This order is effective today.

Dated February 5, 1992, at San Francisco, California.

DANIEL Wm. FESSLER
President
JOHN B. OHANIAN
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
Commissioners

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


NEAL J. SHULMAN, Executive Director

APPENDIX A

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GENERAL CELLULAR CORPORATION
PRO FORMA CONSOLIDATED BALANCE SHEET
JUNE 30, 1991
In Thousands
(Unaudited)

	As reported in 10-Q dated <u>June 30, 1991</u>	Pro forma, As Adjusted For Planned <u>Reorganization</u>
Current assets	\$661	\$661
Cash	1,758	1,758
Receivables	794	794
Inventory & Prepaids	<u>3,213</u>	<u>3,213</u>
Total current assets		
Property and equipment, net	20,447	20,447
Investments in cellular assets, net	25,228	(5) 14,784
Other assets	<u>2,219</u>	(6) <u>583</u>
Total assets	<u>\$51,107</u>	<u>\$39,027</u>
Current liabilities	\$5,553	\$5,553
Accounts payable & accrued liab	1,599	(1,5) -
Accrued interest	88,137	(1,5) -
Short term notes payable	95,289	5,553
Total		
Long term debt	-	(1,3,5) 2,324
Senior debt	-	(1,4) <u>12,750</u>
Subordinated debt	-	<u>15,074</u>
Total		
Redeemable preferred stock	29,921	(2,6) -
Equity (deficit)	1	(7) -
Series D preferred	36,929	(1,2) 125,677
Common stock	(111,033)	(5) (107,277)
Retained deficit	<u>(74,103)</u>	<u>18,400</u>
Net equity (deficit)		
Total liabilities & equity	<u>\$51,107</u>	<u>\$39,027</u>

See notes to pro forma consolidated balance sheet.

APPENDIX A
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GENERAL CELLULAR CORPORATION
NOTES TO PRO FORMA CONSOLIDATED BALANCE SHEET
JUNE 30, 1991
(Unaudited)

The unaudited pro forma consolidated balance sheet as of June 30, 1991 gives effect to the Plan of Reorganization as if it was completed on June 30, 1991. The pro forma consolidated balance sheet was prepared by the Company's management based upon the unaudited financial statements of the Company as of June 30, 1991 and the information contained in the Company's Plan of Reorganization as filed along with the Company's Voluntary Petition under chapter 11 of the bankruptcy code on October 31, 1991. The pro forma consolidated balance sheet is subject to change as additional facts become known and as certain accounting treatments are finalized.

For purposes of determining the pro forma effects on the consolidated balance sheet, the following adjustments have been recorded as if the transactions occurred on June 30, 1991:

- ¹ Reflects the retirement of the Company's senior secured debt and subordinated debt and the issuance of Common stock representing 50% ownership of the Company and Subordinated Debt with a \$12 million face value.
- ² Reflects the retirement of the Company's Preferred stock and the issuance of Common stock representing 6% ownership of the Company.
- ³ Reflects the issuance of senior notes payable in return for cash advanced to (or on behalf of) the Company prior to the petition date, less the expected net proceeds from the pending asset sales discussed in note 5. Additional notes will be issued for cash advanced to the Company during the chapter 11 proceeding pursuant to an interim financing agreement. The pro forma balance of Long term senior debt includes only those notes issuable for advances prior to the petition date (10/31/91) and does not include any notes issuable for funding during the chapter 11 proceeding, which amounts cannot be reasonably estimated at this time.
- ⁴ Reflects the issuance of \$750,000 of subordinated notes for certain amounts advanced by the holder of the Company's senior secured debt. Pursuant to the Plan of Reorganization, and depending upon the outcome of certain events, up to \$1.9 million of additional subordinated notes may be issued.
- ⁵ Reflects the pending sale of an RSA market and certain MSA minority interests. Net proceeds from the sale (after repayment of \$8.9 million of debt secured by the RSA market) of \$5.3 million are reflected as a reduction of Long term senior debt.
- ⁶ Reflects the Company's foreclosure on \$1.6 million of notes receivable secured by certain shares of Redeemable preferred stock.

(END OF APPENDIX A)