

ORIGINAL

Decision No. 89588 OCT 31 1978

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of GRAPHIC SCANNING CORP., a Delaware corporation; RADIO RELAY CORP. - DELAWARE, a Delaware corporation; and RADIO RELAY CORP. - CALIFORNIA, a California corporation; for Control of Radio Relay Corp. - California by Graphic Scanning Corp.

Application No. 58259  
(Filed July 31, 1978)

O P I N I O N

By this application, Graphic Scanning Corp. (Graphic), Radio Relay Corp. - Delaware (parent), and Radio Relay Corp. - California (RRC-California), applicants, seek authority pursuant to Section 854 of the Public Utilities Code to transfer the control of RRC-California from the present shareholders of parent to Graphic. Exhibits 1, 2, 3, and 4 attached to the application detail the Stock Purchase Agreement, and the Income Statements and Balance Sheets for Graphic, parent, and RRC-California. Exhibit 1, the Stock Purchase Agreement, contains additional attachments which detail the Stock and Debenture ownerships of parent; Warrants, Options, etc. of parent; Subsidiaries of parent, Service Areas, and the Consolidated Financial Statements of parent. The transfer of control of RRC-California, requested by this application, would occur through the purchase by Graphic from the existing shareholders of parent, one hundred percent of the issued and outstanding stock of parent, according to the terms of the Stock Purchase Agreement (Exhibit 1).

RRC-California is a radiotelephone utility (RTU) duly certificated by the Commission to provide one-way paging service encompassing portions of Los Angeles, Orange, Riverside, San Bernardino,

and Ventura Counties. RRC-California's operating authority from this Commission emanates from Decision No. 82689<sup>1/</sup>, whereby parent acquired (and renamed) Radio Page Communications, a radiotelephone utility certificated by Decision No. 62156<sup>2/</sup>. RRC-California's service area is in conformance with Decision No. 88513<sup>3/</sup> and their paging facilities are provided on the 35.22 MHz and 158.7 MHz channels, pursuant to licenses (Attachment D to Exhibit 1 of the application) issued by the Federal Communications Commission.

RRC-California is a wholly owned subsidiary of parent.<sup>4/</sup> In addition to owning RRC-California, parent owns and operates RTU's in Buffalo, Chicago, Cincinnati, Detroit, Newark, New York City, and St. Louis. The Stock Purchase Agreement (Exhibit 1) details the sale and transfer of parent (a Delaware corporation) to Graphic (also a Delaware corporation). According to the agreement, no change in stock ownership and operative rights of RRC-California will occur if the transfer of control by parent to Graphic is authorized. The sale of the stock of the parent corporation will indirectly result in the transfer of control of RRC-California to Graphic. Such a transfer requires advance authorization from this Commission under Section 854 of the Public Utilities Code.

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- 1/ Decision No. 82689, dated April 2, 1974, in Application No. 54369 (Radio Relay Corp. authorized to control Radio Page Communications).
  - 2/ Decision No. 62156, dated June 20, 1961, in Case No. 6945 and Application No. 42456 (finds radiotelephone common carriers to be public utilities).
  - 3/ Decision No. 88513, dated February 22, 1978, in Case No. 10210 (OII into the deregulation of radiotelephone utilities).
  - 4/ Decision No. 83916, dated December 30, 1974, in Application No. 55373 (Radio Relay Corp. - Delaware, authorized to control Radio Relay Corp. - California).

The present owners of parent are at a point in life where they do not desire to continue in the demanding burdens and physical strains required to manage the numerous subsidiaries of parent. The owners of parent desire to relieve themselves of such burdens and withdraw completely from the ownership and operation of parent.

Graphic is a publicly traded corporation engaged in the data service and electronic communications fields. It owns 72% of the stock of and manages entirely the operations of Digital Paging Systems, Inc. (Digital), which in turn owns and operates RTU's in Cleveland, Miami, Pittsburgh, Toledo, West Palm Beach, and Hollywood, Florida. Digital also owns and operates Electropage, Inc. (D-81447<sup>5/</sup>), which is a certificated radiotelephone utility located in Sacramento. Through its ownership and management of Digital, Graphic is thus possessed of substantial experience in the operation and management of radiotelephone utilities. The consolidated balance sheet and operating statement for Graphic (Exhibit 2 of the application) demonstrate the financial capability of Graphic to effectuate the proposed transaction. The Commission is satisfied that Graphic will responsibly continue the control of parent and its subsidiaries, including RRC-California.

The applicants state that the sale and transfer of parent to Graphic will not affect the utility operations of RRC-California. All operating rights of RRC-California will still continue to be exercised by parent. RRC-California will continue to rely upon local management personnel to oversee the company's operations and insure quality service to the public. All intercarrier agreements, agent contracts, and the tariff obligations of RRC-California which affect the quality of service to subscribers of RRC-California and other area RTU's will be honored and not revised or canceled as a result of this application. Indeed the applicants state their desire is to insure the continued high quality and reasonably priced paging services presently offered by RRC-California.

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<sup>5/</sup> Decision No. 81447, dated May 30, 1973, in Application No. 53986 (Digital Paging Systems, Inc. authorized to acquire Electropage, Inc.).

The application was filed with the Public Utilities Commission on July 31, 1978. No protests have been received by this Commission. Staff members of the Communications Division and the Finance Division have advised there is no reason that the application should not be accorded ex parte treatment as requested by the applicants.

The Commission makes note that the full purchase price for the stock of parent is \$6,250,003. Of this, parent's present shareholders will receive \$1,812,501 in cash and \$4,437,502 in promissory notes payable over five years with interest at 6% per annum.

The action herein taken shall not be construed as a finding of value of the capital stock of RRC-California.

Findings of Fact

1. Radio Relay Corp. - California is a certificated radio-telephone utility in good standing before this Commission.
2. Radio Relay Corp. - Delaware is the parent corporation of Radio Relay Corp. - California and wholly owns RRC-California.
3. The present shareholders of parent desire to sell and transfer all of the outstanding capital stock of parent to Graphic Scanning Corp.
4. The present shareholders of parent have demonstrated good cause for the sale of their stock in parent.
5. The transfer of stock of parent will cause the transfer of control of RRC-California from parent to Graphic.
6. The transfer of control of RRC-California from parent to Graphic requires Commission authorization.
7. All of the applicants have demonstrated satisfactory and conscientious performance of such obligations and activities as have heretofore fallen within the scope of this Commission's jurisdiction.

8. Graphic has demonstrated its ability to effectuate the proposed transaction, and to continue the satisfactory operation of RRC-California as the public convenience and necessity require, in accordance with its current agreements and tariffs.

9. The proposed transfer of control of RRC-California to Graphic is in the public interest.

Conclusions of Law

1. The proposed transfer of control of RRC-California should be authorized by this Commission.

2. No further authorization from this Commission is required for the subject transaction.

O R D E R

IT IS ORDERED that:

1. Within one year after the effective date of this order, Graphic Scanning Corp. may acquire control of Radio Relay Corp. - California.

2. Within sixty days after the actual transfer of control, Radio Relay Corp. - California shall notify this Commission, in writing, of the date upon which the transfer was consummated.

A. 58259 FG

3. In all other respects, no further authorization is required from this Commission to effectuate the proposed transfer.

The effective date of this order shall be thirty days from the date hereof.

Dated at San Francisco, California, this 31st day of OCTOBER, 1978.

Robert Bafra  
President  
William J. ...  
George L. ...  
Clayton P. ...  
Clair J. ...  
Commissioners