

Decision No. 90003 FEB 27 1979

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application )  
of Answer-Ring Telephone Service, )  
a California corporation, and )  
Peninsula Radio Secretarial Service, )  
Inc. a California corporation, Jerome )  
and Claire Grotzky, Peninsula )  
Communications, Inc. a California )  
corporation, and Messrs. M. Jeffrey )  
and Gerald H. Levy for transfer of )  
control of Peninsula Radio Secretarial )  
Service, Inc., a California corporation. )

**ORIGINAL**  
Application 58549  
(Filed December 27, 1978)

O P I N I O N

Answer-Ring Telephone Service (Answer-Ring), Peninsula Radio Secretarial Service, Inc. (Peninsula Radio), Jerome and Claire Grotzky (Sellers), Peninsula Communications, Inc. (Buyer), and M. Jeffrey Levy and Gerald H. Levy (Guarantors), collectively request authority pursuant to Section 854 of the Public Utilities Code to transfer the control of Peninsula Radio from the present shareholders of the parent company to Buyer.

Sellers, as the sole shareholders of Answer-Ring, have entered into a Stock Purchase Agreement with Buyer for the sale of all of the issued and outstanding capital stock of Answer-Ring. A copy of the Stock Purchase Agreement is attached to the application as Exhibit 1.

Peninsula Radio is a radiotelephone utility under this Commission's jurisdiction and a wholly owned subsidiary of Answer-Ring. Even though the stock of Peninsula Radio is not being sold, but will continue to be owned by Answer-Ring, the sale of the stock of its parent corporation will have the effect of indirectly transferring control of Peninsula Radio to Buyer.

Peninsula Radio is a radiotelephone utility certificated by Decision No. 62156, dated June 20, 1961, in Application No. 42456 and Case No. 6945. It provides one-way paging and signaling, two-way mobile, and private radio communications services in the County of San Mateo and portions of San Francisco, Santa Clara and Alameda Counties.

Such communication services are provided on the 152.15 MHz, 158.70 MHz and 454.35 MHz channels, pursuant to licenses issued by the Federal Communications Commission. Copies of the licenses are attached to the application as Exhibit D. Operating statements, attached to the application as Exhibits F and 3, show that operating revenues for the year 1977, and the nine months ended September 30, 1978, amounted to \$200,409 and \$175,978, respectively. The net income from operations during these same time periods amounted to \$29,165 and \$25,388, respectively.

Answer-Ring is engaged in the business of telephone answering, communications equipment leasing, and other communications-related services in the cities of San Mateo and Redwood City. Operating statements, attached to the application as Exhibits F and 2, show that the operating revenues for the year 1977 and the nine months ended September 30, 1978 amounted to \$380,208 and \$318,457, respectively. The net income from operations during these same time periods amounted to \$24,896 and \$21,058, respectively.

Sellers are engaged in other business and personal pursuits in addition to the operation of Answer-Ring and Peninsula Radio. Because of their other interests and their relatively unsatisfactory physical condition as well as the increasing demands of the radiotelephone industry, Sellers have been unable to devote adequate time to the management and operation of Peninsula Radio. Sellers are unwilling to advance all necessary capital funds requisite to the continued improvement and expansion of the services of Peninsula Radio within its certificated service area and desire to sell and relinquish their interest in Peninsula Radio.

Buyer is a California corporation whose directors and officers are:

M. Jeffrey Levy, President  
Gerald H. Levy, Chief Financial Officer  
Debra P. Levy, Secretary.

The application states that M. Jeffrey Levy is currently President of Auto-Phone Communications and Electronics, Inc. in Denver, Colorado. Auto-Phone Communications is a radio sales and service facility, specializing in mobile telephones. With three F.C.C.-licensed technicians on his staff, Jeffrey Levy sells, maintains and installs mobile telephones and paging equipment including terminals and transmitters for several radio common carriers in Colorado.

Buyer's officers have the financial and technical resources required to maintain, improve, and expand the services of Peninsula Radio and they are desirous of purchasing and acquiring control of Peninsula Radio. The personal financial statements of the officers are attached to the application as Exhibits 4 and 5.

Buyer intends to further improve the services rendered to the public by Answer-Ring and Peninsula Radio. It is Buyer's intent to direct a capital improvement plan to provide its customers with the most economic and efficient radiotelephone service available.

Both Seller and Buyer believe that this transfer of control will enable Peninsula Radio to further improve its services, due to increased financial and technical resources.

Buyer does not intend to change either the operating staff or the existing tariffs of Peninsula Radio. The ongoing operation of the utility will continue to be managed by the current management personnel. M. Jeffrey Levy, president of Buyer, and his wife, Debra P. Levy, intend to move to the Bay Area to manage the public utility operations personally. In this way, Buyer intends to be aware of and responsive to the needs of the public it seeks to serve.

The total purchase price for the outstanding stock of Answer-Ring is \$1,170,000. This sum is being paid as follows: \$150,000 in cash as a down-payment and \$1,020,000 in a promissory note in the form provided in Exhibit A to the Stock Purchase Agreement. The note is guaranteed by Guarantors under the terms of the Stock Purchase Agreement and the Promissory Note. It will bear interest at 9 percent per annum, the principal and interest

will be paid in monthly installments of \$7,900, until fully paid (approximately 39 years).

The difference between the book value of the stock of Answer-Ring which is to be acquired by Buyer and the purchase price is a function of several factors including the purchase of customer lists of Answer-Ring and Peninsula Radio, Buyer's market analysis and plans to institute relatively aggressive and efficient marketing and other programs to offset this disparity.

The purchase price is based upon the purchase of all 3,000 issued and outstanding shares of Answer-Ring, a nonutility communications corporation. Consequently no specific allocation has been made to the purchase of control of Peninsula Radio.

The Finance Division and the Communications Division of the Commission staff have reviewed the proposal set forth in the application and consider the request to be reasonable. There is no known opposition and no reason to delay granting the authority requested.

After consideration the Commission finds that control of Peninsula Radio by Buyer through acquisition of all of the outstanding capital stock of Answer-Ring would not be adverse to the public interest.

On the basis of the foregoing finding, we conclude that the application should be granted. A public hearing is not necessary. The authorization herein granted shall not be construed as a finding of the value of the assets or capital stock of Peninsula Radio.

ORDER

IT IS ORDERED that:

1. Within one year after the effective date of this order, Peninsula Communications, Inc. may acquire control of Peninsula Radio Secretarial Service, Inc.
2. Within sixty days after the actual transfer of control, Peninsula Radio Secretarial Service, Inc. shall notify this Commission, in writing, of the date upon which the transfer of control was consummated.

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

Dated at San Francisco, California this 27<sup>th</sup> day of  
FEBRUARY, 1979.

John E. Bay  
President  
George L. Stinson  
Richard D. Kunkle  
Clair J. Darling  
Thomas J. Quinn  
Commissioners