

Decision No. 90378 JUN 5 1979

7/11/1979

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

IN THE MATTER OF THE JOINT APPLICATION)	Application No. 58678
OF FRANK R. and MARIE G. CHALFONT, JULIA A.)	(Filed February 15, 1979)
CHALFONT, JEANNE N. HOWARD, DAN W. and)	
SHERYL CHALFONT and KATHRYN and CURTIS)	and
MILLER, and INDUSTRIAL COMMUNICATIONS)	
SYSTEMS, INC., a California corporation,)	Amendment
for Transfer of Control of CHALFONT)	(Filed April 30, 1979)
COMMUNICATIONS, a California corporation.)	

O P I N I O N

Frank R. and Marie G. Chalfont, Julia A. Chalfont, Jeanne N. Howard, Dan W. and Sheryl Chalfont, and Kathryn and Curtis Miller, request authority to sell and transfer, and Industrial Communications Systems, Inc. (Industrial) to purchase and acquire all the outstanding capital stock of Chalfont Communications (Chalfont). Industrial seeks authority to acquire control of Chalfont, and to issue and deliver guaranteed promissory notes in the aggregate principal amount of \$509,861.32.

The authority is sought pursuant to Sections 818, and 852 of the Public Utilities Code. Notices of the filing of the application and the amendment were published on the Commission's Daily Calendar on February 16 and May 1, 1979, respectively.

The sellers are the owners of all the issued and outstanding capital stock of Chalfont, consisting of four hundred shares of common stock. The sellers and Industrial have entered into a stock purchase agreement for the sale and transfer of the stock. A copy of the agreement is attached to the application as Exhibit C.

Industrial and Chalfont are California corporations and radiotelephone utilities subject to the jurisdiction of this Commission.

Industrial is authorized to provide two-way mobile and one-way paging service in major portions of the counties of San Bernardino, Riverside, Los Angeles, Orange and San Diego. Industrial's wholly-owned subsidiary, Peak Rentals, Incorporated, is engaged in the business of selling, leasing and renting radiotelephone and radio communications equipment.

Industrial provides radiotelephone service to 6,937 subscribers. For the eleven months ended November 30, 1978, Industrial reported operating revenues of \$1,990,969 and net income of \$334,315. A balance sheet dated November 30, 1978, attached as Exhibit A to the application, is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net radiotelephone plant	\$ 273,561
Other investments	796,475
Current assets and deferred chgs.	<u>690,017</u>
Total	<u>\$1,760,053</u>
 <u>Liabilities and Capital</u> 	
Common equity	\$1,129,678
Long-term debt	28,300
Current liabilities	<u>602,075</u>
Total	<u>\$1,760,053</u>

Chalfont is a radiotelephone utility authorized to provide two-way mobile and one-way paging service in portions of San Bernardino and Riverside counties, including the cities of Palm Desert, Palm Springs and Beaumont. Chalfont is also engaged in the telephone answering business, and the selling, leasing and renting of radiotelephone and radio communications equipment. The authorized service area of Chalfont is adjacent

to the service area of Industrial. Chalfont in its annual report to the Commission for the year 1978 reported operating revenues of \$350,874 and net income of \$7,906.

The full consideration for the sale and purchase of all of the issued and outstanding capital stock of Chalfont including consulting fees would amount to \$528,000. Industrial proposes to pay each of the sellers the sum of \$1,068.84 per common share of Chalfont (an aggregate of \$427,536), payable in 60 equal monthly installments (including interest at 10% per annum on the declining balance), and to be evidenced by the proposed guaranteed installment promissory notes of Industrial in the form attached to the stock purchase agreement as Exhibit A, and to be personally guaranteed by members of the Harris family. Industrial also proposes as part of the consideration to pay to Jeanne N. Howard and Dan W. Chalfont the sum of \$8,000 each, at the rate of \$333.33 per month each for a period of two years for such consulting services as shall be required of them by Industrial during such period. Additionally, as part of the consideration, Industrial proposes to repay to Frank R. Chalfont the advances by the latter to Chalfont as of December 15, 1978 aggregating \$84,463 payable in sixty equal monthly installments (including interest at the rate of 10% per annum on the declining balance), and to be evidenced by the guaranteed installment promissory note of Industrial in the forms attached to the stock purchase agreement.

According to the application, Chalfont has been conducted as a family enterprise, relying on internally generated funds reinvested without resorting to external capital. Chalfont has grown to such size that this method of financing no longer appears feasible or desirable in light of growth potential and demand for service.

Industrial has the financial capability, the expertise and willingness to meet such growth potential and demand for

service. Industrial's facilities and service areas are adjacent to Chalfont's and it offers a continuity of personnel in its radiotelephone utility service. Industrial does not intend to change either the operating staff or the existing filed tariff schedules of Chalfont.

The Finance Division and the Communications Division of the Commission staff have reviewed the proposals set forth in the application and consider the requests to be reasonable.

The attorney for Chalfont and Industrial has informed the Commission, by letter dated May 14, 1979, that the Federal Communications Commission (FCC) has approved the transfer of control of Chalfont to Industrial. The FCC, however, has extended the time for consummation of the transfer of control to June 25, 1979. Because of time constraint imposed by the FCC, the attorney requests that an order of this Commission be made effective on the date the fee prescribed for the issuance of the promissory notes is paid by Industrial.

Findings of Fact

1. Industrial Communications Systems, Inc. and Chalfont Communications are California corporations and radio telephone public utilities subject to the jurisdiction of this Commission.
2. Participation in the stock purchase agreement is not adverse to the public interest.
3. The issuance of proposed promissory notes in the principal amount of \$509,861.32 is for proper purposes.
4. The money, property or labor to be procured or paid for by the notes herein authorized are reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

Conclusions of Law

1. There is no known opposition and no reason to delay granting the authority requested.
2. A public hearing is not necessary.
3. The application should be granted to the extent set forth in the orders which follow.

The authorization herein granted is for the purposes of this proceeding only and is not to be construed as a finding of the value of the assets or capital stock of Chalfont.

O R D E R

IT IS ORDERED that:

1. Within one year after the effective date of this order, Industrial Communications Systems, Inc. may enter into the stock purchase agreement attached as Exhibit C to the application and may acquire control of Chalfont Communications.
2. Within sixty days after the actual transfer of control, Industrial Communications Systems, Inc. shall notify the Commission, in writing, of the date upon which the transfer of control was consummated.
3. Industrial Communications Systems, Inc. for the purposes specified in the application may issue promissory notes in a principal amount not exceeding \$509,861.32 in substantially the same form set forth in Exhibit A to the Stock Purchase Agreement, attached to the application as Exhibit C.
4. Industrial Communications Systems, Inc. shall file with the Commission a report, or reports as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

5. This order shall become effective when Industrial Communications Systems, Inc. has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$1,020.

Dated at San Francisco, California, this 5th day of JUNE, 1979.

John E. Bry
President
James L. Stinson
Charles P. Havel
Charles T. Dejeu
Samuel J. ...
Commissioners

