

Decision 88 12 061 DEC 13 1988

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Mailed

Application of Teleconnect Company)
to transfer control of Teleconnect)
Long Distance Services and Systems)
Company (U-5152-C), to SouthernNet,)
Inc.)

DEC 13 1988

Application 88-10-038
(Filed October 21, 1988)

OPINION

This is an application in which SouthernNet, Inc. (SouthernNet) seeks authority to acquire control of Teleconnect Long Distance Services and Systems (Teleconnect) through a merger of Teleconnect Company (Parent Co.) with SouthernNet.

Notice of the filing of the application appeared in the Commission's Daily Calendar on October 27, 1988. There are no protests.

The Commission makes the following findings and conclusion.

Findings of Fact

1. A public hearing is not necessary in this matter.
2. Teleconnect is an Iowa corporation qualified to do business in California. It is a wholly owned subsidiary of Parent Co., which is also an Iowa corporation qualified to do business in California. In Decision (D.) 87-09-012, Parent Co. was granted authority to operate as a telephone corporation and provide intrastate long distance services and assigned the corporate identification number U-5130-C. In D.88-05-040, the Commission authorized Parent Co. to transfer its operating authority to Teleconnect and assigned it the corporate identification number U-5152-C.
3. Parent Co., through its subsidiaries, serves more than 200,000 long distance customers in 21 western and mid-western states.

4. SouthernNet is a Delaware corporation qualified to do business in California. It is an interexchange telephone carrier serving more than 200,000 customers in 10 southeastern states.

5. In August 1988, Parent Co. and SouthernNet signed an agreement to combine the two regional telecommunications companies under a holding company structure. Under the agreement, SouthernNet, which presently operates as a holding company, will continue to exist and serve as a holding company for both the present SouthernNet operations and the present Parent Co. subsidiaries through its ownership of Parent Co. The present subsidiaries of Parent Co., including Teleconnect, will remain wholly owned subsidiaries of Parent Co. which will become a wholly owned subsidiary of SouthernNet. Outstanding shares of Parent Co. will be converted into shares of the holding company on a one-for-one basis. There are approximately 12.8 million shares of common stock of Parent Co. outstanding and approximately 13.8 million shares of SouthernNet common stock outstanding.

6. The proposed transfer of control of Teleconnect will have no impact on its present operations. Teleconnect will, in general, operate under its present management.

7. Teleconnect and SouthernNet presently have a combined market value of approximately \$450 million and had combined revenues of approximately \$400 million in 1987.

8. SouthernNet has the ability, including financial ability, to acquire control of Teleconnect and continue its operations.

9. The proposed acquisition of control of Teleconnect by SouthernNet by combining Parent Co. and SouthernNet into a holding company is not adverse to the public interest.

10. Teleconnect, Parent Co., and SouthernNet are telephone corporations which are nondominant telecommunications carriers.

11. Ordering Paragraph 1 of D.85-01-008 in Application 84-03-92 dated January 3, 1985, provides that:

- "1. On and after the effective date of this order, public utility resellers of

telecommunications services are exempted from the requirements of PU Code §§ 816-830."

12. Ordering Paragraph 7 of D.87-04-017 dated April 8, 1987, provides in part that:

"...in noncontroversial applications for authority to transfer assets or control under PU Code §§ 851-855, such authority may be granted by the Commission's Executive Director as specified in D.86-08-057."

13. Since the ensuing order primarily affects the parties to this application, it should be made effective on the date of issuance.

Conclusion of Law

The application should be granted.

This authorization is not a finding of the value of the rights over which control is to be acquired.

ORDER

IT IS ORDERED that:

1. On or after the effective date of this order, SouthernNet, Inc. (SouthernNet) may acquire control of Teleconnect Long Distance Service and Systems (Teleconnect) through a merger with Teleconnect Company in accordance with the terms of the application.

2. Within 10 days after acquisition of control, SouthernNet shall write the Commission stating the date control was acquired and attach copies of the documents effectuating the acquisition of control.

3. The corporate identification number previously assigned to Teleconnect (U-5152-C) should be retained by it and included in the caption of all original filings with this Commission, and in the titles of other pleadings in existing cases.

4. The authority granted in Ordering Paragraph 1 shall expire unless it is exercised before December 31, 1989.

This order is effective today.

Dated DEC 13 1988, at San Francisco, California.



VICTOR WEISSER
Executive Director

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



Victor Weisser, Executive Director

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