

Decision 89 06 062

JUN 30 1989

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Telesphere Network,)
Inc., for authority to transfer)
control to FG Ventures.)

Application 89-03-014
(Filed March 10, 1989)

Mailed

OPINION

JUN 30 1989

This is an application in which FG Ventures (FG) seeks authority to acquire control of Telesphere Network, Inc. (Telesphere).

Notice of the filing of the application appeared in the Commission's Daily Calendar on March 14, 1989. There are no protests.

FG is a Delaware corporation. On May 12, 1989 it submitted a statement indicating it had submitted to the jurisdiction of the Commission. The statement is designated as Exhibit 1. On May 17, 1989 FG submitted a certificate from the Secretary of State indicating it was qualified to do business in California. The certificate is designated Exhibit 2. The matter is now ready for decision.

The Commission makes the following findings and conclusion.

Findings of Fact

1. A public hearing is not necessary in this matter.
2. Telesphere is a Delaware corporation qualified to do business in California. It received authority from the Commission to provide intrastate long distance services in Decision (D.) 84-01-037 (U-5016-C). Telesphere serves more than 6,000 long distance customers in over 30 states. It is a wholly owned subsidiary of Telesphere International, Inc. (Telesphere International), a public company traded on the American Stock Exchange.

3. FG is a Delaware corporation qualified to do business in California. It is a holding company owned by Francesco Galesi of Galesi Group. Galesi Group also owns Telus Communications, one of the largest providers of long distance telecommunications services in Florida.

4. The parties have entered into an agreement which contemplates the placement of \$15 million in debentures of Telesphere with FG. The ten year debentures are exchangeable for the common stock of Telesphere International. Telesphere International will ask its stockholders to approve a charter amendment giving the debenture holders voting rights of one vote for each share of common stock issuable in exchange for the debentures. If stockholders approve the amendment, the debentures will bear an interest rate of 14% and will be exchangeable, at \$.77 per share, for approximately 19.4 million shares or 53% of the post-exchange shares outstanding, subject to antidilution provisions. If the amendment is not approved, the interest rate will increase to 18% and the debentures would be exchangeable for approximately 23.8 million shares. Telesphere International currently has approximately 17.2 million shares outstanding. Telesphere International has filed with the Securities and Exchange Commission an 8K describing the transaction.

If the transaction is effectuated, FG will have the ability to own 53% of the outstanding shares of Telesphere International.

5. The transfer of control of Telesphere will have no adverse impact on its present operations. Telesphere will continue to operate under its present management.

6. The proposed transfer will provide Telesphere with an infusion of capital and enable it to obtain accounting and management information system support from FG's subsidiary Telus Communications.

7. As of September 30, 1988 Telesphere International had assets of \$94,625,000. As of January 31, 1989 FV had assets of \$4,801,000.

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

9. The proposed acquisition of control of Telesphere by FV is not adverse to the public interest.

10. Telesphere and FV are telephone corporations which are nondominant telecommunications carriers with respect to the matters presented in this application.

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, relating to telecommunications carriers, 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 ensuring 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 and properties over which control is to be acquired.

ORDER

IT IS ORDERED that:

1. On or after the effective date of this order FV Ventures (FV) may acquire control of Telesphere Network, Inc. (Telesphere) in accordance with the terms set forth in the application.

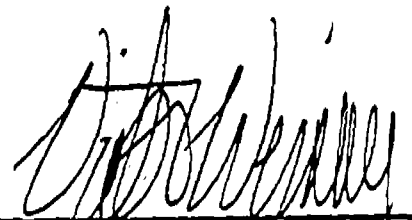
2. Within 10 days after acquisition of control, FV shall write the Commission stating the date of the transfer of control. A copy of the documents effectuating the transfer of control shall be attached.

3. Telesphere shall continue to use Identification Number U-5016-C in the caption of all original filings with the Commission, and in the titles of other pleadings filed in existing cases.

4. The authority granted in Ordering Paragraph 1 shall expire unless it is exercised before July 31, 1990.

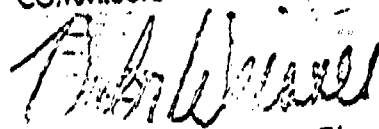
This order is effective today.

Dated JUN 30 1989, at San Francisco, California.



VICTOR WEISSER
Executive Director

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



Victor Weiss, Executive Director