

Decision 90 06 037 JUN 15 1990

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of National Telephone Services, Inc., to Transfer, and of Telesphere Communications, Inc. (Parent Company of a Certificated Carrier C.I.S. No. U-5016-C), to Acquire Control of National Telephone Services, Inc.

**ORIGINAL**

Application 90-04-015  
(Filed April 11, 1990)

O P I N I O N

This decision approves the acquisition of National Telephone Services, Inc. (National) by Telesphere Communications, Inc. (Telesphere). National is a nondominant interexchange carrier with authority to provide intrastate telephone service under authority issued by this Commission Decision (D.) 88-06-025. Telesphere is a holding company which owns Telesphere Network, Inc. (TNI). TNI is also a certificated intrastate nondominant carrier D.84-01-037.

The matter appeared on the Commission's Daily Calendar on April 17, 1990. No protests have been received. A public hearing is not necessary.

Telesphere proposes to acquire all or a majority of National's outstanding shares of Class A and B common stock in exchange for cash in the amount of \$20 million, 3 million shares of Telesphere and a note in an amount equal to the difference between \$28 million and the fair market value of Telesphere's shares.

Applicants intend to combine the operator assistance services of National with the long distance services of TNI to create a more efficient and competitive company. Under its present Certificate of Public Convenience and Necessity, National provides telecommunications services which require the assistance of an operator or which must be billed to a number other than the

number on which the call originates. National owns its own switching equipment and operator centers and provides transmission capacity by reselling the services of facilities based carriers. National originates calls in 48 states and provides intrastate service in 36 states.

TNI, Telesphere's subsidiary, provides long distance services including message toll service, switched and special access wide area services and operator services. TNI provides intrastate service in 30 states. In June 1989, this Commission authorized the acquisition of control of TNI by F. G. Ventures.<sup>1</sup>

Applicants cite the benefits of network and managerial efficiency and enhanced competition as public interest considerations. As presently certificated telecommunications utilities, applicants submit that their qualifications are a matter of record before the Commission. Financial information is appended to the application pursuant to Rule of Practice and Procedure 36. Applicants anticipate that National's subscribers will gradually be converted to Telesphere's service, but will continue to be served under National's certificate and tariff during a transition period.

The applicants request approval by the Executive Director as provided in D.86-08-057 in order to expedite the acquisition. In D.86-08-057, we authorized the Executive Director to grant applications under §§ 851-855 of the Public Utilities Code when the application is noncontroversial and the applicant is a nondominant telecommunications carrier.

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<sup>1</sup> D.89-06-062 approved an agreement whereby \$15 million in debentures of TNI was placed with F. G. Ventures. The ten years debentures are exchangeable for the common stock of Telesphere. If the transaction is perfected, F. G. Ventures would have the ability to own 53% of Telesphere, which in turn wholly owns TNI. Telesphere would, with approval of this application control both TNI and National with F. G. Ventures as its majority stockholder.

The Commission makes the following findings and conclusions:

Findings of Fact

1. A public hearing is not necessary in this matter.
2. D.86-08-057 provides that the Executive Director is directed to approve applications for authority for noncontroversial transfers or acquisitions of nondominant telecommunications carriers.
3. Telesphere is a Delaware corporation qualified to do business in California.
4. TNI is a Delaware corporation which is authorized to provide interexchange telecommunications services in this state (D.84-01-037) (U-5016-C).
5. National is a Delaware corporation which is authorized to provide operator assisted and resold telecommunications services within the state (D.88-06-025) (U-5156-C).
6. Applicants have entered into an agreement whereby Telesphere will purchase all or a majority of the common stock of National in exchange for cash and shares of Telesphere.
7. The proposed combination of Telesphere's long distance services with National's operator assistance services will result in management and operational efficiencies. Telesphere will be able to offer a fuller range of services and may become a more effective competitor in the long distance industry.
8. As of December 31, 1989, Telesphere had assets of \$81,089,000; as of the same date, National had assets of \$62,623,662.
9. The proposed acquisition is not adverse to the public interest.

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 being acquired.

O R D E R

IT IS ORDERED that:

1. On or after the effective date of the order, Telesphere Communications, Inc. (Telesphere) may acquire control of National Telephone Services, Inc. (National) in accordance with the terms set forth in the application.

2. Within 10 days after the acquisition of control, Telesphere shall provide the Commission with written notice of the date on which control was acquired and shall provide a copy of the documents effectuating the acquisition.

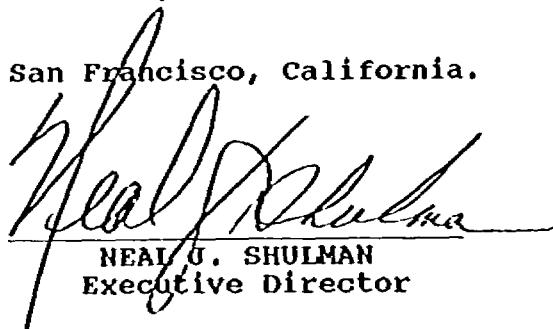
3. National shall continue to use Identification Number U-5156-C in the caption of all original filings with the Commission, and in the titles of other pleadings filed in existing cases.

4. National may continue to serve its customers under its own tariffs until such time as it is prepared to withdraw its own tariffs and serve subscribers under Telesphere's tariffs. At that time National shall file an Advice Letter under our General Order 96-A cancelling its own tariffs.

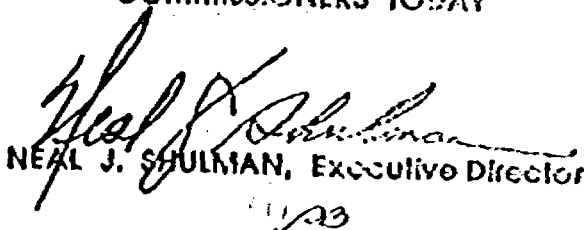
5. The authority granted in Ordering Paragraph 1 shall expire unless it is exercised before September 30, 1990.

This order is effective today.

Dated JUN 15 1990, at San Francisco, California.

  
NEAL J. SHULMAN  
Executive Director

I CERTIFY THAT THIS DECISION  
WAS APPROVED BY THE ADJUTANT  
COMMISSIONERS TODAY

  
NEAL J. SHULMAN, Executive Director  
11/23