

STATE OF VERMONT  
PUBLIC SERVICE BOARD

Docket No. 6278

Joint Petition of Ionex Telecommunications, )  
Inc., Telecom Resources, Inc. and Advanced )  
Communications Group, Inc. for Approval of )  
Transfer of Control )

Order entered: 10/27/99

I. INTRODUCTION

This case involves a petition filed on August 11, 1999, by Ionex Telecommunications, Inc. ("Ionex")<sup>1</sup>, Telecom Resources, Inc. ("TRI"), and Advanced Communications Group, Inc. (collectively the "Petitioners"), seeking Vermont Public Service Board ("Board") approval, under 30 V.S.A. § 107, of a transfer of control of TRI to Ionex and an indirect transfer of control of TRI. As a result of these transactions, TRI will become a wholly-owned subsidiary of Ionex.

On October 6, 1999, the Vermont Department of Public Service ("Department") submitted a letter to the Board indicating that the Department had no objection to the transfer of control of TRI to Ionex or the indirect transfer of TRI. The Department noted that the transaction did not appear to affect the services received by customers of TRI or cause inconvenience or confusion to the customers of TRI, in that the rates and service offerings of TRI do not appear to be affected by the transaction. Further, the Department also had no objection to the issuance of an order without hearing or further investigation, as provided under 30 V.S.A. § 107, conditioned upon written notification to the Board and Department from the Petitioners within one week of the closing.

II. FINDINGS OF FACT

Based upon the petition and accompanying documents, the Board makes the following findings of fact.

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1. Although the petition was originally filed under the name of Ionex Telecommunications, LLC, the petitioner subsequently notified the Board of a name change and requested that the petition be amended to reflect that name change.

1. Ionex, the transferee, is a newly formed, privately-held Delaware limited liability company that is majority owned and controlled by Gilbert Global Equity Partners, L.P., a private equity investment partnership. Petition at 2-3.

2. TRI is a Texas corporation with principal offices located at 1950 Stemmons Freeway, Suite 4033, Dallas, Texas 75207. TRI is authorized to provide resold intrastate interexchange services in 46 states, including Vermont. In Vermont, TRI is authorized to provide resold intrastate telecommunications services pursuant to a Board Order issued in C.P.G. No. 403 (Aug. 7, 1998). TRI, however, currently does not serve any customers in the State of Vermont. Petition at 4.

3. ACG is a publicly-traded Delaware corporation with principal offices located at 390 South Woods Mill Road, Suite 150, Chesterfield, Missouri 63017. The parent of TRI, ACG, is a competitive provider of integrated telecommunications services to customers primarily located in the Midwestern United States. ACG is authorized to provide resold intrastate interexchange and/or competitive local exchange services in eight states, but does not hold any such authorizations in the State of Vermont. Petition at 4-5.

4. The proposed transfer of control of TRI to Ionex will be accomplished through the purchase of all of the outstanding shares of TRI. Following closing of the stock purchase transaction, TRI will operate as a wholly-owned subsidiary of Ionex. Petition at 5-6.

5. With its telecommunications experience and financial qualifications, Ionex should be qualified to acquire control of TRI. Petition at 3.

6. Following the closing of the stock purchase transaction between TRI and Ionex, TRI will continue to offer the services it currently offers pursuant to its certification with no change in the rates or terms and conditions of service. TRI, moreover, will continue to be led by well-qualified telecommunications managers comprised, in part, of existing personnel. The transfer of control of TRI to Ionex, therefore, will be virtually transparent to consumers in the State of Vermont. Petition at 6-7.

7. Prior to the transfer of control of TRI to Ionex, TRI's parent, ACG, intends to issue stock in connection with its acquisition of certain unregulated companies. ACG's stock issuance will result in a transfer of control of approximately ten percent of ACG and, in turn, an indirect minority transfer of control of TRI. Petition at 6-7.

8. The indirect minority transfer of control of TRI will not result in any change in the manner in which TRI currently provides service in the State of Vermont. This related transaction, therefore, will be virtually transparent to consumers in the State of Vermont. Petition at 6-7.

9. Completion of the proposed transactions will serve the public interest in promoting competition among providers of intrastate interexchange telecommunications services. The transactions should result in a company better equipped to accelerate its growth as a competitive telecommunications service provider by allowing TRI access to Ionex's significant financial resources and telecommunications management experience. The resulting corporate structure and improved financial condition should enhance significantly TRI's operational flexibility and efficiency, as well as its long-term financial viability. These projected enhancements will inure directly to the benefit of Vermont consumers. The proposed transactions should therefore ensure the continued provision of telecommunications services to the public and should promote competition in the Vermont telecommunications service market. Petition at 7.

### III. CONCLUSIONS OF LAW AND DISCUSSION

The proposed transaction requires Board approval under 30 V.S.A. § 107, which applies to a direct or indirect acquisition of a controlling interest in a Vermont utility.<sup>2</sup> Section 107 requires a finding that the transfer of control will promote the public good. This standard is met in this case. The proposed transaction will promote the public good, because TRI will have access to a larger pool of managerial, technical and financial resources due to the relatively larger resources of its new owner, Ionex. In the competitive arena of telecommunications, the overall effect of this merger may promote more customer choice in terms of services, with stronger competitors in the Vermont telecommunications market. It should also be noted that the transfer of control will not result in any rate increase.

For all of the above reasons, the proposed transfer of control of TRI to Ionex and the indirect transfer of control of TRI, through the mechanisms outlined above, should be approved.

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2. Approval under 30 V.S.A. §§ 231 and 311 is not required because the current holder of the Certificate of Public Good, TRI, will continue to be the entity providing telecommunications service in Vermont.

ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The acquisition of control of Telecom Resources, Inc. by Ionex Telecommunications, Inc. is approved.
2. The indirect transfer of control of TRI by its parent corporation, Advanced Communication Group, Inc., is approved.
3. Petitioners shall notify the Board, within one week, upon completion of the transfer of control.

DATED at Montpelier, Vermont, this 27<sup>th</sup> day of October, 1999.

s/Michael H. Dworkin )  
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s/Suzanne D. Rude )  
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s/David C. Coen )

PUBLIC SERVICE  
 BOARD  
 OF VERMONT

OFFICE OF THE CLERK

Filed: October 27, 1999

Attest: s/Susan M. Hudson

Clerk of the Board

*NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board of any technical errors, in order that any necessary corrections may be made.*

*Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.*