

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application for Authority to)
Transfer Ownership and Control of COMM SOUTH)
COMPANIES, INC., from TracFone Wireless, Inc.,)
to its Affiliate AM Comm Solutions, LLC, and from)
that Company to ARBROS Communications, Inc.,)
and for Approval, as necessary, of Related)
Transactions

DOCKET NO. 01-2250-01
REPORT AND ORDER

ISSUED: June 7, 2001

SYNOPSIS

No detriment to the public interest appearing, the Commission approved the proposed acquisition.

By The Commission:

PROCEDURAL HISTORY

On February 6, 2001, Petitioner above-named sought Commission approval for a proposed acquisition of a Utah-certificated telephone carrier by another entity. The matter was referred for review and recommendation to the Division of Public Utilities, Utah Department of Commerce (DPU), which filed its memorandum March 20, 2001, recommending approval. Details of the acquisition and assessment of its effect are incorporated in the DPU memorandum annexed hereto and incorporated herein by this reference. No detriment to the public interest appearing, we enter the following

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

- The proposed acquisition be, and it is, approved, with an effective date of May 30, 2001.
- Any person aggrieved by this Order may petition the Commission for review within 20 days of the date of this Order. Failure so to do will forfeit the right to appeal to the Utah Supreme Court.

Dated at Salt Lake City, Utah, this 7th day of June, 2001.

/s/ Stephen F. Mecham, Chairman

/s/ Constance B. White, Commissioner

/s/ Richard M. Campbell, Commissioner

Attest:

/s/ Julie Orchard

Commission Secretary

{Division Letterhead}

March 16, 2001

TO: PUBLIC SERVICE COMMISSION

FROM: DIVISION OF PUBLIC UTILITIES

Lowell Alt, Director
Ingo Henningsen, Manager, Telecommunications
Peggy Egbert, Technical Consultant
Bart Croxford, Regulatory Analyst

Re: Application for Authority to Transfer Ownership and Control of Comm

South Companies, Inc. from TracFone Wireless, Inc. to its Affiliate, AM Comm Solutions, LLC and from than Company to ARBROS Communications, Inc. and for Approval, as Necessary, of Related Transactions in Docket No. 01-2250-01.

Issues:

Comm South Companies, Inc. ("CSC"), its parent entities, and ARBROS Communications, Inc. ("ARBROS") filed the above-mentioned application on February 26, 2001. It received its Certificate of Public Convenience and Necessity on May 19, 1998.

According to a Stock Exchange Agreement executed by the Applicants, upon consummation of the overall transaction, CSC will become a wholly-owned subsidiary of ARBROS, and AM Comm and its parent, Sercotel, S.A de C.V. or its affiliated designee (together "AM Comm Parties"), initially will hold approximately a 24.9% interest in ARBROS. In the event that AM Comm exercises its warrants to acquire additional ARBROS shares, the AM Comm Parties may hold a maximum interest of approximately 45% in ARBROS. The Applicants do not seek to transfer any operating authority. CSC will continue to provide intrastate communications service in Utah under its existing authorizations and price lists. The Applicants claim that the contemplated transactions will, therefore, be transparent to customers in Utah.

ARBROS owns several regional LLCs which, in turn, own multiple-licensing entities that are authorized to provide telecommunications services in the various states. ARBROS and the other licensed subsidiaries are authorized to provide telecommunications service in Alabama, Connecticut, Delaware, the District of Columbia, Florida, Kentucky, Louisiana, Maryland Massachusetts, Mississippi, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Vermont and Virginia.

The essence of this transaction is ARBROS Communications, Inc.'s acquisition of all of the stock of Comm South Companies, Inc., with the end result that Comm South Companies, Inc. and its subsidiaries will join the existing subsidiaries of ARBROS Communications, Inc. in providing telecommunications services to the public. Because the services of Comm South and its subsidiaries are very different from those currently provided by ARBROS, ARBROS presently intends to maintain Comm South as a separate entity; hence, the transactions will be transparent to customers.

ARBROS is led by a highly-qualified team of management personnel, all of whom have extensive backgrounds in telecommunications. The management team has decades of experience in all areas of the telecommunications industry, including financial management, engineering, sales, strategic planning, regulatory and operations. The team is drawn from such companies as Verizon, AT&T, US One Communications, Ameritech, Fujitsu and TCG. While ARBROS's management team is certainly qualified to operate Comm South, it is contemplated that many in Comm South's current management team will continue to operate that company's business under the overall direction of ARBROS's senior executives.

The Applicants assert that the transfer of control of Comm South from TracFone to AM Comm and from AM Conn to ARBROS is in the public interest because "the addition of Comm South to the ARBROS family of companies will enhance Comm South's ability to compete in the market for telecommunications services in Utah and elsewhere. The Applicants will benefit from increased economies of scale that will permit them to operate more efficiently and thus to compete more effectively. Moreover, through the financing arrangements discussed [in the application], Comm South and ARBROS both will have access to the greater financial resources they need to introduce new products and services and to respond to the competitive telecommunications environment in Utah and across the nation."

Recommendation:

The Division believes that the information that the Applicants have provided is sufficient for the Division to recommend approval and should be considered under R746-1 10, which permits uncontested matters to be adjudicated informally.

cc: Glenn Richards, Esq., Shaw Pittman
Brett Heather Freedson, Esq., Kelley Drye & Warren
Division of Public Utilities
Michael Ginsberg, Assistant Attorney General
Committee of Consumer Services