

SWIDLER
&
BERLIN
CHARTERED

July 25, 1997



71136-TP

VIA OVERNIGHT DELIVERY

Mr. Walter D'Haeseleer
Director, Communications Division
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0870

Re: Notification of Tel-Save, Inc. and Access Network Services, Inc.
Agreement and Plan of Merger

Dear Mr. D'Haeseleer:

On behalf of Tel-Save, Inc. and Access Network Services, Inc. (the "Applicants"), enclosed for filing are an original and five (5) copies of the above-referenced notification letter. A copy of the Notification Letter on a 3-1/2" diskette (WP 6.0) also is enclosed.

Please date-stamp the enclosed extra copy of this filing and return it to the undersigned in the attached self-addressed, stamped envelope. Should you have any questions, please do not hesitate to contact the undersigned.

Respectfully submitted,

Russell M. Blau
Kimberly A. Rosenthal*

- ACK _____
- AFA _____
- APP _____
- CAF _____
- CM:11 _____
- CM:12 _____

Enclosures

cc: Thomas Williams (FL PSC)

*Not admitted in the District of Columbia

1941241

DOCUMENT # MRD DATE

08102 AUG-85

3000 K STREET, N.W. ■ SUITE 300

WASHINGTON, D.C. 20007-5116

(202)424-7500 ■ TELEX 701131 ■ FACSIMILE (202)424-7645

FPSC-RECORDS/REPORTING

SWIDLER
&
BERLIN
CHARTERED

July 25, 1997

VIA OVERNIGHT DELIVERY

Mr. Walter D'Haeseleer
Director, Communications Division
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Notification of Tel-Save, Inc. and Access Network Services, Inc.
Agreement and Plan of Merger

Dear Mr. D'Haeseleer:

On behalf of Tel-Save, Inc. ("Tel-Save") and Access Network Services, Inc. ("ANSI") (together the "Parties"), this letter is to advise the Commission of a proposed transaction between a new subsidiary of Tel-Save Holdings, Inc. ("TSHI"), Tel-Save's parent company, and Shared Technologies Fairchild Inc. ("STFI"), ANSI's parent company. As part of the proposed transaction, STFI will merge into TSHCo, Inc., a new wholly owned subsidiary of TSHI, with TSHCo, Inc. being the surviving corporation (the "Merger"). Both Parties are authorized to provide a variety of telecommunications services within Florida. Following consummation of the merger, both Tel-Save and ANSI will continue to provide service to their respective existing customers under existing service arrangements and pursuant to their respective authorizations. The merger will, therefore, be virtually transparent to the customers of the companies.

Upon review of the Florida statutes and Commission rules, it is the understanding of the Parties that prior Commission approval is not required for the merger described herein. In the event the Commission determines that approval of the merger is required, however, this letter should serve as a request for such expedited approval.

Shared Technologies Fairchild Inc. is a Delaware corporation publicly traded on the NASDAQ stock market under the stock symbol STCH. Its principal offices are located at 100 Great Meadow Road, Suite 104, Wethersfield, Connecticut, 06109. STFI is the parent company of Shared Technologies Fairchild Communications Corp., which, in turn, is the parent company of ANSI. Pursuant to authorization granted by this Commission, ANSI is authorized to provide

DOCUMENT NUMBER DATE

1000 K STREET, N.W. ■ SUITE 100
WASHINGTON, D.C. 20007-5116

08102 AUG-85

(202)424-7500 ■ TELEX 701137 ■ FACSIMILE (202)424-7668 BORDS/REPORTING

telecommunications services throughout the state of Florida, including alternative local exchange telecommunications services,^{1/} shared tenant services,^{2/} and interexchange services.^{3/}

In addition to the services it provides in Florida, ANSI is authorized by the various state public service commissions to provide telecommunications services, either pursuant to certification, registration or tariff requirements, or on an unregulated basis. Additionally, ANSI currently is authorized to provide competitive local exchange services in approximately ten states and has filed applications to obtain authority to provide competitive local exchange services in approximately ten other states. ANSI also is authorized by the Federal Communications Commission as a non-dominant carrier to provide international resold switched services throughout the United States.

Tel-Save Holdings, Inc. ("TSHI") is a Delaware corporation publicly traded on the NASDAQ stock market under the stock symbol TALK. Its principal offices are located at 6805 Route 202, New Hope, Pennsylvania, 18938. TSHI is the parent company of Tel-Save, which provides long distances services, including outbound services and inbound toll-free 800 service, throughout the United States. Pursuant to certification granted by this Commission to Tel-Save, Inc. d/b/a The Phone Company, Tel-Save is authorized to provide telecommunications services throughout the state of Florida, including alternative local exchange^{4/} and interexchange services.^{5/}

In addition to the services it provides in Florida, Tel-Save is authorized by the various state public service commissions to provide telecommunications services, either pursuant to certification, registration or tariff requirements, or on an unregulated basis. Additionally, Tel-Save currently is authorized to provide competitive local exchange services in approximately fourteen states and has filed applications to obtain authority to provide competitive local exchange services in approximately thirty-two other states. Tel-Save also is authorized by the Federal Communications Commission as a non-dominant carrier to offer domestic interstate and international services nationwide.

TSHI, through its subsidiaries, is a nationwide provider of telecommunications services with a strong track record of growth and operating performance. Since TSHI's inception in 1989, TSHI has posted consecutive increases in revenues and earnings. For the last twelve months and ending March 31, 1997, these revenues and earnings amounted to \$252 million and \$22 million, respectively. TSHI is in an excellent financial position with a current equity market capitalization

^{1/} See Order No. PSC-97-0079-FOF-TX, in Docket No. 961424-TX (granted January 27, 1997).

^{2/} See Certificate No. 1669, Order No. PSC-96-0314-FOF-TP, in Docket No. 951518-TP (granted February 29, 1996).

^{3/} See Certificate No. 3512, in Docket No. 930757-TX (granted January 27, 1994).

^{4/} See Order No. PSC-96-1020-FOF-TX, in Docket No. 960569-TX (granted August 29, 1996).

^{5/} See Certificate No. 2985, Order No. PSC-92-0621-FOF-TI, in Docket No. 920294-TI (granted July 29, 1992).

of approximately \$1.2 billion, approximately \$40 million in cash reserves and no debt as of March 31, 1997, and \$65 million of borrowing capacity from an existing unused credit facility. TSHI is led by a talented management team as demonstrated by its past performance and is well-qualified to consummate the transaction and manage the combined operations.

Description of the Merger

TSHI and STFI have determined that they will realize significant economic and marketing efficiencies and enhancements by merging the two entities and establishing STFI as a wholly owned subsidiary of TSHI. Accordingly, TSHI and STFI have entered into an Agreement and Plan of Merger dated as of July 16, 1997 (the "Agreement"). The Agreement was unanimously approved by the Board of Directors of each company.

As part of the proposed transaction, TSHCo, Inc., has been created as a wholly owned subsidiary of TSHI. STFI will merge with TSHCo, Inc., with TSHCo, Inc. as the surviving corporation.

Under the terms of the Agreement, each share of STFI common stock^{6/} will be converted into a number of TSHI shares calculated by dividing \$11.25 by the average closing price of TSHI common stock over a 15 trading day period ("Exchange Ratio") prior to the closing date of the proposed Merger.^{7/} In the event the average closing price is above \$20 per share, the Exchange Ratio will be calculated by dividing \$11.25 plus \$0.30 for each dollar that TSHI's common stock trades above \$20 per share by the average closing price of TSHI common stock over a 15 trading day period prior to the closing date of the proposed Merger.

TSHI and STFI expect to consummate the Merger by October 15, 1997, subject to approval by the shareholders of each company, Hart-Scott-Rodino clearance, the approval of the Federal Communications Commission and various state authorities and other customary conditions. The principal shareholders of STFI, who in the aggregate hold a majority of the outstanding common stock of STFI, and the principal shareholder of Tel-Save, who beneficially owns 38.2 percent of the outstanding common stock of Tel-Save, have agreed to vote in favor of the Merger.

Upon consummation of the Merger, the Parties expect that for the foreseeable future TSHI and STFI will continue operating their operating subsidiaries under their current names and no certificate holder name will change. Moreover, the Parties will continue to provide high quality, affordable telecommunications services to the public. As such, this Merger will not in any way

^{6/} Currently, the authorized capital stock of STFI consists of 50,000,000 shares of STFI common stock, par value \$.004 per share, and 25,000,000 shares of preferred stock, \$.01 par value per share. As of July 16, 1997, 15,904,146 shares of STFI common stock were issued and outstanding and 1,318,950 shares of preferred stock were issued and outstanding. All of such issued and outstanding shares are validly issued, fully paid and non-assessable and free of preemptive rights.

^{7/} Currently, the authorized capital stock of TSHI consists of 100,000,000 shares of TSHI common stock, par value \$.01 per share, and 5,000,000 of preferred stock, par value of \$.01 per share. As of July 15, 1997, 64,353,823 shares of common stock were issued and outstanding and no shares of preferred stock were issued and outstanding. All of such issued and outstanding shares are validly issued, fully paid and non-assessable and free of preemptive rights.

disrupt service nor cause inconvenience or confusion to the Parties' customers. Indeed, the Merger will be virtually seamless to the customers in terms of the services they receive.

Public Interest Considerations

Consummation of the proposed Merger will serve the public interest by bringing together, TSHI, a fast-growing long distance telecommunications provider with a state-of-the-art nationwide network, with STFI, a leading provider of a full array of telecommunications services and products to multi-tenant commercial and residential buildings. The proposed Merger will exploit the cultural and synergistic fit of TSHI and STFI, resulting in significantly lower long distance costs, general administrative cost savings, a reduction in interest expense from debt refinancing, as well as the ability to leverage the existing organizational infrastructure and customer bases with the introduction of new products and services. The combined company will create a full-service, facilities-oriented telecommunications provider with operations in major markets nationwide. Combining TSHI's high quality, competitive long distance services, exceptionally strong financial position, and superb management team with STFI's successful shared tenant telecommunications and competitive local exchange services, network infrastructure and sales operations will enable TSHI to provide consumers a full array of competitively priced telecommunications services and more attractive product offerings. In conclusion, the proposed Merger will benefit customers through improved services and lower rates, thereby promoting competition in Florida.

Conclusion

Upon review of the Florida statutes and Commission rules, it is the understanding of the Parties that prior Commission approval is not required for the merger described above. Absent receipt of written notification to the contrary within thirty (30) days, we will proceed on our understanding that no approval or other formal action with respect to the proposed merger is required by the Commission. This letter is forwarded to the Commission for informational purposes, to be included in the appropriate file.

Please date-stamp the enclosed extra copy of this letter and return it in the self-addressed, stamped envelope provided herein. Should you have any questions or comments regarding this transaction, do not hesitate to contact the undersigned.

Respectfully submitted,



Russell M. Blau
Kimberly A. Rosenthal*
SWIDLER & BERLIN, CHARTERED
3000 K Street, N.W., Suite 300
Washington, D.C. 20007
(202) 424-7766

* Not admitted in the District of Columbia.