

October 28, 1997

971428-TP

Via Overnight Delivery

Blanca S. Bayo
Director, Division of Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 2399-0850

Re: Notification of Proposed Transfer of Control of Quest Telecommunications, Inc. and Quest Group International, Inc. to Teltrust, Inc.

Dear Ms. Bayo:

On behalf of Teltrust, Inc. ("Teltrust"), Quest Telecommunications, Inc. ("QTI"), and Quest Group International, Inc. ("QGI") (collectively, "the Parties"), this letter is to notify the Commission of the proposed transaction whereby Teltrust will acquire control of QTI and QGI. QTI and QGI are nondominant carriers separately authorized by the Commission to provide, respectively, interexchange telecommunications services and pay telephone services in the State of Florida. QGI is the parent company of QTI. The acquisition will be accomplished through a transaction whereby Teltrust will acquire QGI and, in turn, QTI. Teltrust is the parent company of Teltrust Communications Services, Inc. ("TCS"), a nondominant carrier authorized to provide interexchange telecommunications services and alternative local exchange telecommunications services in the State of Florida. Neither QTI or QGI is currently affiliated with Teltrust.

As described below, Teltrust will acquire all of the outstanding stock of QGI by merging a newly formed subsidiary of Teltrust into and with QGI. Upon consummation of the transaction, Teltrust will own QGI which, in turn, will continue to own QTI. Following completion of the proposed transaction, all regulated entities, QTI, QGI, and TCS, will continue to provide service to their respective customers under existing service arrangements and pursuant to their respective authorizations. The proposed transaction, therefore, will be virtually transparent to customers of the three companies. Attached hereto is a chart which illustrates the corporate structure of the Parties prior to and immediately following consummation of the proposed transaction. A description of the Parties and the proposed transaction is provided below.

It is the understanding of the Parties that prior Commission approval is not required for the transfer of control transaction described herein. Accordingly, absent receipt of written notification to the contrary within thirty (30) days, the Parties will proceed on the understanding that no approval or other formal action with respect to the proposed transaction is required by the Commission.

DOCUMENT NUMBER-DATE

3000 K STREET, N.W. ■ SUITE 100
WASHINGTON, D.C. 20007-5116

11168 OCT 29 5

(202) 424-7500 ■ TELEX 701131 ■ FACSIMILE (202) 424-7565 RECORDS/REPORTING

ACK
AFA
APR
CAF
CMI
CIR
E
L
I
C
H
W
S
D

Description of the Parties

Teltrust is a Utah corporation whose principal offices are located at 221 North Charles Lindbergh Drive, Salt Lake City, Utah 84116. Teltrust is the parent company of TCS, a nondominant carrier that is authorized to provide intrastate interexchange telecommunications services and alternate operator services, pursuant to certification granted by this Commission in Docket No. 921247-TI, on March 23, 1993, and alternative local exchange telecommunications services pursuant to certification granted in Docket No. 970789-TX, on September 4, 1997. Teltrust is well qualified to acquire control of QTI and QGI. Teltrust, through its operating subsidiary, TCS, provides resold interexchange telecommunications services to customers in over 40 States. Teltrust's 1996 operating revenues exceeded \$36.5 Million. As of December 31, 1996, Teltrust had assets in excess of \$22.3 Million and shareholders' equity of approximately \$12.3 Million. With its substantial financial resources, and as the parent of a duly authorized resale interexchange telecommunications provider, Teltrust is well qualified to acquire control of QTI and QGI.

QTI is a Delaware corporation whose principal offices are located at 242 Falcon Drive, Forest Park, Georgia 30050. QTI is authorized to provide intrastate interexchange telecommunications services throughout the State of Florida pursuant to certification granted by this Commission in Order No. PSC-93-1249-FOF-TI, Docket No. 930649-TI, on September 21, 1993. QTI is a wholly owned subsidiary of QGI, a privately held Florida telecommunications and information company engaged in the provision of long distance prepaid calling card and enhanced network-based products and services. QGI is authorized to provide pay telephone services pursuant to certification granted by this Commission in Order No. 24647, Docket No. 910579-TC, on July 2, 1991.^{4/} In addition to the services QTI provides to Florida subscribers, QTI currently is authorized to provide resold intrastate interexchange telecommunications services in numerous other states pursuant to certification, registration or tariff requirements, or on an unregulated basis. In addition, QTI is authorized by the Federal Communications Commission ("FCC") to provide domestic interstate and international services as a non-dominant carrier in all 50 states and the District of Columbia. Further information regarding QTI's legal, technical, managerial, and financial qualifications to provide service, was submitted with QTI's application for certification filed with the Commission in Docket No. 930649-TI, is therefore already a matter of public record, and is herein incorporated by reference.

^{4/} The Commission granted QGI's request for a name change of its pay telephone certificate from Public Communications Group, Inc. to QGI in Order No. PSC-93-1281-FOF-TC, Docket No. 930769-TC (Sept. 18, 1993).

Description of the Transaction

Teltrust, QGI, and QTI have determined that they will realize significant economic and marketing efficiencies by establishing QTI and QGI as subsidiaries of Teltrust. Accordingly, Teltrust and QGI have executed a Merger Agreement whereby Teltrust Acquisition, Inc. ("Teltrust Acquisition"), a newly formed Utah subsidiary of Teltrust created specifically for the purpose of consummating the transaction, will merge with and into QGI, with QGI being the surviving entity. The surviving Florida corporation will continue under the name Quest Group International, Inc. ("New QGI"). All subsidiaries of QGI, including QTI, will remain subsidiaries of New QGI.

At the effective time of the merger, Teltrust will exchange up to 800,000 shares of Teltrust Common Stock to the existing QGI stockholders in exchange for all of the issued and outstanding shares of QGI Common Stock.

After the consummation of the transaction, both QTI and QGI will each continue to be led by a team of well-qualified telecommunications managers comprised, in part, of existing personnel. The Parties expect that the substantial managerial, technical, and financial expertise of the combined management team will enable QTI and QGI to continue providing high quality service to their existing customers, as well as to expand their respective customer base.

Following completion of the transaction, QTI will continue to be a wholly owned subsidiary of New QGI and QTI and QGI will continue to provide high quality, affordable interexchange and pay phone telecommunications services to their Florida subscribers pursuant to their tariffs currently on file at the Commission.² The proposed transaction simply will result in a change in the ownership of QGI and in the ultimate corporate parent of QTI, and will not involve a change in the manner in which either QGI or QTI provides service to their respective Florida customers. As such, the transaction will not cause inconvenience or confusion to the customers of either QGI or QTI or otherwise have a negative impact on the operations of QTI or QGI. Indeed, the transaction will be virtually transparent to the respective customers of QTI and QGI in terms of the services that they receive.

Consummation of the proposed transaction will serve the public interest in promoting competition among interexchange telecommunications carriers by providing Teltrust, QTI and QGI the opportunity to strengthen their respective positions in the competitive telecommunications marketplace. The proposed transaction will invigorate competition by enabling QTI, QGI, and Teltrust to pursue their respective marketing and business plans more effectively by combining their financial and technical resources. Moreover, the transaction will combine the complementary

² Similarly, TCS will continue to provide services to Florida customers under its existing service agreements, pursuant to its own grant of certification.

Blanca S. Bayo
October 28, 1997
Page 4

managerial skills, background, and experience of Teltrust, QTI, and QGI in providing telecommunications services to the public. The Parties anticipate that the contemplated business combination will result in a company better equipped to accelerate its growth as a competitive telecommunications service provider. In addition, the transfer of control will allow the Parties to manage their telecommunications operations more efficiently, thereby enhancing the Parties' operational flexibility and efficiency as well as their financial viability. The proposed transaction, therefore, will ensure the continued provision of high quality and innovative telecommunications services to the existing customers of QTI and QGI and should promote competition in the Florida telecommunications service market. In sum, the proposed acquisition will benefit the public interest by enhancing the ability of Teltrust, QTI, and QGI to offer competitively priced services in the Florida interexchange marketplace.

Conclusion

It is the understanding of the Parties the prior Commission approval is not required for the transfer of control transaction described herein. In the event however, that the Commission determines that approval is required for the transfer of control described above, the Parties respectfully request that the Commission consider this letter as a request for expedited approval. Absent receipt of written notification to the contrary within thirty (30) days, the Parties will proceed on the understanding that no approval or other formal action with respect to the proposed transaction is required by the Commission.

Please do not hesitate to contact the undersigned with any questions or comments regarding this transaction.

Respectfully submitted,



Jean L. Kiddoo
Grace R. Chiu

Counsel for Teltrust, Inc. and
Quest Telecommunications, Inc.