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WILSON

October 28, 1998

**BY OVERNIGHT DELIVERY**

Blanca S. Bayo  
Director  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

981443 - TI

Re: Request for Approval to Transfer Control of Galaxy Long  
Distance, Inc. to Interoute Telecommunications, Inc.

Dear Ms. Bayo:

On behalf of Interoute Telecommunications, Inc. ("Interoute") and Galaxy Long Distance, Inc. ("Galaxy") (collectively, the "Parties"), this is to request the Florida Public Service Commission's approval, pursuant to Section 364 of the Florida Statutes, to effectuate the transfer of control of a certificated telecommunications carrier, Galaxy, to Interoute. Under the Agreement of Merger ("Agreement") reached between the Parties, Galaxy will be merged into a subsidiary of Interoute whose articles of incorporation will then be changed to the Galaxy name.

Interoute is a privately-held Delaware corporation whose principal office is located at 1 World Trade Center, Suite 4531, New York, New York, 10048. Interoute is in the process of entering the interexchange telecommunications services market, including both residential and business services. Interoute is authorized to provide interstate and international telecommunications services as a non-dominant common carrier pursuant to authority of the Federal Communications Commission ("FCC"). On July 31, 1998, Interoute filed a separate request for approval to effectuate a transfer of control of another certificated provider of both interexchange and competitive local exchange services, ATI Telecom, Inc., to Interoute. The Order granting the request, Dkt. No. 980991-TP, was issued by the Commission on October 12, 1998.

Galaxy is a privately-held Florida corporation whose principal office is located at 12600 S. Belcher Road, Suite 104, Largo, FL 33773. To date, Galaxy has operated primarily as a provider of prepaid interexchange telecommunications services. Galaxy currently provides

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prepaid travel card services in Florida pursuant to an Interexchange Telecommunications Certificate effective July 31, 1997, in Docket No. 970378-TI (Order No. PSC-97-0823-FOF-TI). Galaxy also provides interstate and international telecommunications services as a non-dominant common carrier pursuant to authority of the FCC.

### **Description of Proposed Merger**

On September 18, 1998, Interoute, Galaxy, a wholly-owned Interoute subsidiary known as Interoute Acquisition Corp. ("Acquisition")<sup>1</sup> and the individual shareholders of Galaxy entered into the Agreement pursuant to which Galaxy will merge with Acquisition and become a wholly-owned subsidiary of Interoute. Under the Agreement, shares of stock held by the Galaxy shareholders will be cancelled and converted into the right to receive Interoute shares according to a stock conversion ratio. Galaxy will be merged into Acquisition, and Acquisition shall be the surviving corporation of the merger. The articles of incorporation of Acquisition shall then be changed such that the corporate name is no longer "Interoute Acquisition Corp." but instead "Galaxy Long Distance, Inc." Thus, in effect, the surviving operating entity as a result of the merger shall be known as Galaxy Long Distance, Inc., which will exist as a wholly-owned subsidiary of Interoute. This merger of Galaxy and Interoute Acquisition essentially results in a transfer of control of Galaxy to Interoute.

Upon consummation of the merger described herein, the Parties expect that for the foreseeable future both Interoute and Galaxy will continue operating their respective telecommunications businesses under their current names, and they will continue to provide high quality, affordable telecommunications services to the public. As such, this merger will not in any way disrupt service or cause inconvenience or confusion to the customers of either Interoute or Galaxy. Indeed, the merger will be virtually seamless to retail customers in terms of the services they currently receive, but it may make additional products and services available to both Interoute's and Galaxy's customers throughout the country.

Parties expect to consummate the merger no later than December 31, 1998 subject to the approval of this Commission, the FCC as well as satisfaction of other customary conditions.

### **Public Interest Considerations**

Consummation of the proposed transaction will serve the public interest in promoting competition by providing Interoute and Galaxy with the opportunity to strengthen their competitive positions by combining their financial resources and complementary services, facilities and expertise. The transaction also creates access, by Galaxy, to the larger capital base

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<sup>1</sup> Acquisition, a Florida Corporation, was established for the purpose of facilitating the transaction described herein.

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of its new parent company, Interoute. Galaxy's operations will more readily increase in size and profitability, due to enhanced economies of scale. Combining Galaxy's prepaid services and products with Interoute's operations gives the new company a more diversified revenue base, significant synergies in marketing, network performance and operations. The proposed merger will allow the combined company to offer a broad array of new products and services to homes and businesses throughout the United States, and to grow as a competitor in the local and long distance markets. Accordingly, the proposed merger will benefit customers through improved services and increased diversity of products, thereby promoting competition in Florida.

### **Conclusion**

For the reasons shown above, the Parties request Commission approval on an expedited basis for authority to effectuate this transaction, thereby transferring control of Galaxy to Interoute.

Please acknowledge receipt of this filing by file-stamping and returning the extra copy of this letter in the self-addressed, stamped envelope provided for this purpose. All communications regarding this filing should be directed to the undersigned.

Sincerely



Thomas K. Crowe  
Elizabeth Holowinski,  
Counsel for Interoute  
Telecommunications, Inc. and  
Galaxy Long Distance, Inc.

cc: Dan McDuffie  
Dick Young  
Larry Ashworth  
Pat Dowhie

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From: Kay Flynn            Confirm receipt  
To:    Tommy Williams  
Subject: 981443  
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---NOTE-----  
CC: Linda Williams, Rick Moses  
.....

Tommy, this is a transfer of control of Galaxy Long Distance to Interout Telecommunications--on its way to you. I wonder if we should include a cert. cancellation or name change? Right now, I've styled it as a transfer of control. Please look at the material when you get it, and let us know if we need to add to the docket title. Thanks. Kay

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