

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

GLOBAL WATS ONE, INC./GLOBAL TELEMEDIA,)
INC., GLOBAL TELEMEDIA INTERNATIONAL,)
INC., AND CAT INTERESTS LIMITED)
_____)
) CASE NO. 95-491
)
ALLEGED VIOLATIONS OF KRS 278.020(4),)
KRS 278.020(5) AND KRS 278.300)

O R D E R

On August 1, 1994, Global Wats One, Inc. ("Global Wats"), a utility subject to Commission jurisdiction under KRS 278.010(3)(e), was granted authority by the Commission to provide telecommunications services as a reseller within the Commonwealth of Kentucky. Subsequently, Global Wats attempted to change its name to Global TeleMedia, Inc.

On October 2, 1995, Global TeleMedia International, Inc. ("Global International") notified the Commission by letter dated August 22, 1995 that Global Wats was a subsidiary of Global International. The Commission was also notified that Global International's officers, directors and management personnel are indicated and identified in Global Wats' application and tariff.

In its August 22, 1995 letter, Global International informed the Commission that it had transferred, inter alia, ownership of

Global Wats to CAT Interests Limited ("CAT") on July 12, 1995. Global International stated that it is not associated with CAT and it is not aware of any provisions that have been made to facilitate customer service responsibilities. Moreover, Global International stated that it was not making any representations to the Commission regarding CAT or its abilities to facilitate its obligations as required by the Commission. Subsequently, Global International informed the Commission that Global Wats was transferred to CAT because Global International defaulted on a loan, which had not been approved by the Commission.

Consequently, the Commission, by Order dated November 16, 1995, ordered Global International, Global Wats/Global TeleMedia, Inc., and CAT to appear at a hearing for the purpose of presenting evidence and showing cause why they should not be penalized under KRS 278.990(1) for the alleged violations of KRS 278.020(4) and (5), and KRS 278.300. The hearing was held on February 27, 1996 in the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky. Global International appeared as ordered but Global Wats and CAT did not.

During the hearing, Global International testified that Global Wats was a wholly-owned subsidiary of Global International on the date that Global Wats filed its application with the Commission -- May 20, 1994. It testified that the information regarding Global

Wats' corporate structure was inadvertently omitted from its application.

Furthermore, Global International testified that it had borrowed \$300,000 from CAT. As collateral for the loan, Global International encumbered some of its real and personal property, including its stock in Global Wats. It further testified that the transaction was "bridge financing" pending the completion of a \$5 million infusion of capital from CAT to Global International for which CAT would have acquired "more than 50 percent" of Global International.

Global International testified that the infusion of funds would not have caused a change of ownership in Global Wats. It would have remained a wholly-owned subsidiary of Global International but for Global International's default on the \$300,000 loan.

Global Wats was transferred to CAT pursuant to the terms of an agreement that Global International and CAT entered after the default. Global International admits that Commission approval was not obtained for the loan or the transfer agreement, which the parties entered in order to avoid litigation over the matter of the default. To date, neither Global Wats nor CAT has filed any documents with the Commission regarding the transactions that are the subject matter of this proceeding. Furthermore, the Commission

has reason to believe that Global Wats was administratively dissolved on November 1, 1995 by the Kentucky Secretary of State.

Moreover, Global International testified that CAT is not providing telecommunications services under its own name. It further testified that because employees of Global Wats contacted Global International rather than CAT to request payroll information for income tax purposes, it believes that there are no Kentucky operations.

Seeking to provide the services in Kentucky, Global International asked at the hearing whether the Commission could transfer to it Global Wats' authority to operate in this state rather than require it to file an application with the Commission. The Commission treats Global International's verbal request as a motion for a transfer of said authority.

Having reviewed the evidence of record and being otherwise sufficiently advised, the Commission finds that Global Wats' name should be removed from the Commission's list of active utilities and Global International's motion should be denied, under the circumstances. The Commission further finds that Global International and CAT have willfully violated KRS 278.020(4) and (5) and that each should be assessed a penalty under KRS 278.990(1) in the amount of Five Hundred Dollars (\$500) for the violations. Finally, the Commission finds that Global International has willfully violated KRS 278.300 and should be assessed an additional

penalty under KRS 278.990(1) in the amount of Five Hundred Dollars (\$500) for the violation.

IT IS THEREFORE ORDERED that:

1. Global Wats' name shall be removed from the Commission's list of active utilities.

2. Global International's motion for a transfer to it of Global Wats' authority to provide telecommunications services in Kentucky is hereby denied. Global International shall not provide telecommunications services in Kentucky until it has filed an application with the Commission and obtained the Commission's approval.

3. Global International and CAT are assessed a penalty in the amount of Five Hundred Dollars (\$500) each for their willful violations of KRS 278.020(4) and (5).


4. Global International is assessed an additional penalty in the amount of Five Hundred Dollars (\$500) for its willful violation of KRS 278.300.

5. Within 30 days of the date of this Order, Global International and CAT shall pay the assessed penalties. The payments shall be in the form of a cashier's or certified check made payable to "Treasurer, Commonwealth of Kentucky" and shall be mailed or delivered to: Office of General Counsel, Public Service

Commission of Kentucky, 730 Schenkel Lane, Post Office Box 615,
Frankfort, Kentucky 40602.

Done at Frankfort, Kentucky, this 9th day of May, 1996.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director