

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION FOR AUTHORITY TO)
TRANSFER CONTROL OF CAPITAL) CASE NO. 96-198
NETWORK, INC. TO AMNEX, INC.)

O R D E R

On June 10, 1996, Capital Network System, Inc. ("CNSI"), Amnex, Inc. ("AMNEX") and American Network Exchange, Inc. ("ANEI") (hereinafter collectively referred to as "Joint Applicants") filed an application ("Joint Application") pursuant to KRS 278.020 for Commission approval of a transfer of control of CNSI from its current shareholders to AMNEX. AMNEX is currently the parent company of ANEI, a certificated telecommunications service provider in Kentucky. Joint Applicants also request Commission approval of their plan to merge CNSI's operations into those of ANEI by March 31, 1997, and to cancel CNSI's Certificate of Public Convenience and Necessity and tariff at that time.

CNSI is a privately-held Texas corporation that provides domestic and international telecommunications services. CNSI is authorized to provide intrastate telecommunications services in Kentucky pursuant to the Commission's Order dated November 4, 1993, in Case No. 93-298.¹ A certified copy of CNSI's Articles of Incorporation is attached as Exhibit A to the Joint Application. AMNEX is a publicly-

¹ Case No. 93-298, The Application of Capital Network System, Inc. for a Certificate to Resell Telecommunications Service.

held New York Corporation. Through its operating subsidiaries, including ANEI, AMNEX provides domestic and international telecommunications services. A certified copy of AMNEX's Articles of Incorporation is attached as Exhibit B to the Joint Application.

ANEI, a wholly-owned subsidiary of AMNEX, is a Delaware corporation that provides domestic and international telecommunications services. ANEI is authorized to provide intrastate telecommunications services in Kentucky pursuant to the Commission's Order dated May 14, 1991, in Case No. 90-351.² A certified copy of ANEI's Articles of Incorporation is attached as Exhibit C to the Joint Application.

Joint Applicants state that the transfer of control of CNSI and the subsequent integration of its domestic operations into those of ANEI will have no adverse effect on CNSI's Kentucky customers. Joint Applicants further state that CNSI's customers whose accounts will be transferred will be sent appropriate and timely notice of the proposed transaction and will be notified of any changes in their service or rates.

Furthermore, Joint Applicants state that the transferred assets will be managed after the transaction by a well-qualified team of managers consisting of existing ANEI personnel, all of whom have extensive backgrounds in the telecommunications industry. On June 10, 1996, ANEI filed an Adoption Notice wherein it adopted, ratified, and made its own CNSI's tariffed rates, rules, classifications and regulations for furnishing interexchange telephone service in Kentucky.

² Case No. 90-351, The Application of American Network Exchange, Inc. for a Certificate of Public Convenience and Necessity to Operate as an Interexchange Telecommunications Reseller and Provider of Operator Services Within the Commonwealth of Kentucky.

Pursuant to KRS 278.020(4), all persons are required to obtain Commission approval prior to the acquisition or transfer of ownership or control of a utility that is under the jurisdiction of the Commission. Furthermore, KRS 278.020(5) prohibits any entity from acquiring control of any jurisdictional utility without prior approval.

The Commission finds that KRS 278.020(4) and (5) are applicable to the proposed transaction as described by Joint Applicants. Therefore, Commission approval is necessary.

The Commission finds that the proposed transaction is consistent with the public interest and that it will take place in accordance with law and for a proper purpose. The Commission has previously determined, in Case No. 90-351, that ANEI possesses the financial, technical, and managerial abilities to provide reasonable service in Kentucky.

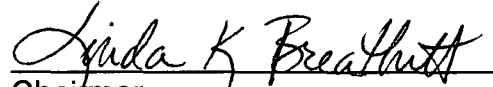
IT IS THEREFORE ORDERED that:


1. The proposed transaction as described by the Joint Applicants is hereby approved.
2. Joint Applicants shall notify the Commission within 10 days of the date of closing of the proposed transaction or, in the alternative, shall notify the Commission if the proposed transaction does not occur.
3. Within 10 days of the date of the consummation of the proposed transaction, ANEI shall file in its own name the tariff of CNSI adopted by ANEI, or such other tariff as it proposes to put into effect in lieu thereof.

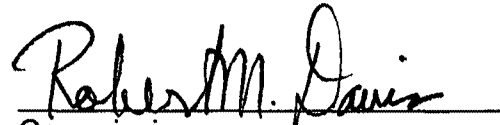
4. Within 30 days of the date of this Order, ANEI shall file organizational charts reflecting all Kentucky telecommunications operations, all associated ownership interests, all associated corporate names, and all associated business names.

Done at Frankfort, Kentucky, this 25th day of June, 1996.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director