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PUBLIC SERVICE
COMMISSION

Mr. Thomas M. Dorman, Executive Director
Kentucky Public Service Commission
211 Schenkel Lane
Frankfort, Kentucky 40601

Re: Notification by NOW Communications, Inc. and Teleconex, Inc. of an Asset Purchase Agreement

Dear Mr. Dorman:

On behalf of NOW Communications, Inc. ("NOW") and Teleconex, Inc. ("Teleconex") this letter is to advise the Commission of an Asset Purchase Agreement (the "Agreement") which the companies propose to consummate. It is our understanding, based upon review of the applicable statutes and regulations, that this transaction does not require prior Commission approval. Accordingly, absent written notice to the contrary within thirty (30) days of the date of this letter, the parties will proceed to consummate the transaction in a timely fashion.

NOW and Teleconex propose to consummate the Agreement whereby NOW will purchase certain telecommunications assets of Teleconex, consisting only of the prepaid residential local exchange customers of Teleconex. NOW will not purchase and Teleconex will not sell the current traditional residential and business customers of Teleconex.

NOW is a privately held Mississippi corporation with principal offices located at 2000 Newpoint Place, N.W., Suite 900, Lawrenceville, Georgia 30043-5578. NOW is a non-dominant carrier that resells local service and intrastate, interstate and international long distance service purchased from various facilities-based carriers. NOW is a certificated local and interexchange provider in this State.¹

¹ In this State, NOW provides telecommunications services pursuant to authority granted by tariff approval, August 8, 1998.

Teleconex is a privately held Florida corporation with principal offices located at 4100 Barrancas Avenue, Pensacola, Florida 32507. Teleconex is a certificated carrier in this State.²

The proposed Acquisition will accomplish the following:

- a. Teleconex shall sell, transfer and assign to NOW all of Teleconex's right, title and interest in and to Teleconex's prepaid residential local telecommunications assets, as defined in the Asset Purchase Agreement;
- b. In consideration for the above transfer and sale of assets, NOW will pay to Teleconex the purchase price set forth in the Asset Purchase Agreement.
- c. Following the transaction, Teleconex will continue to provide telecommunications services to its traditional residential and business customers, pursuant to the authority previously granted in this State.

NOW proposes this transaction to transfer and consolidate the prepaid residential local customer accounts of Teleconex in order to create a single, larger provider of prepaid residential local telecommunications services, facilitating efficiencies for the benefit for all of NOW's customers. By virtue of these transactions, NOW will realize significant economic, marketing and administrative efficiencies.

The customers of Teleconex will be given the opportunity to receive telecommunications services from NOW or may choose to switch their service to a different carrier.³

The technical, managerial and financial personnel of NOW will serve both the existing NOW customers and the Teleconex customers with the same high level of expertise.

² In this state, Teleconex provides telecommunications services pursuant to authority granted by tariff approval, June 6, 1998.

³ Prior to consummation of the proposed transaction, NOW intends to notify all current end users of Teleconex of the transaction. The notification will be by bill insert, a sample copy of which is attached hereto as Exhibit "A".

Critical to the proposed transaction and consolidation of customer accounts is the need to ensure the continuation of high quality service to all customers currently served by Teleconex. The proposed transaction will serve the public interest for the following reasons:

- a. It will enable NOW to provide a streamlined level of service for all involved customers by creating a single, larger provider of telecommunications services to the customers in this State. The transaction will enhance the operating efficiencies, including market efficiencies, of NOW.
- b. It will increase the appeal to present and potential customers because of NOW's larger size and greater variety of service offerings and market visibility.
- c. Finally, it will result in cost savings as the result of discounts on quantity ordering of materials and services.

Accordingly, the requested transaction and subsequent consolidation will serve to create a heightened level of operating efficiency which generally will serve to enhance the overall capacity of NOW to compete in the marketplace and to provide telecommunications services for a greater number of consumers in this state at competitive rates.

Additionally, NOW will possess a greater customer account base as the result of the proposed purchase of assets, and will thus be a stronger carrier able to provide a higher quality and variety of services to all customers presently serviced by both NOW and Teleconex.

The parties are forwarding this letter to the Commission for informational purposes, to be included in the appropriate files. Absent receipt of written notification to the contrary within thirty (30) days of the date of this letter, we will proceed under the understanding that no approval or other formal action is required by the Commission prior to consummation of the proposed transaction.

Enclosed are the original and ten (10) copies of this letter. Please return one (1) of the copies file-stamped in the envelope provided. If you need any further information or have any questions regarding the matters discussed herein, please do not hesitate to contact the undersigned. Thank you for your assistance in this matter.

Respectfully submitted,



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EXHIBIT A
Customer Notice

[Sample Bill Insert]

Dear Valued Customer:

Great things are happening at Teleconex, Inc.: We are going to join forces with a pioneer and leader in the prepaid telephone industry: **NOW Communications, Inc.!**

Starting with the [] billing cycle, you will notice that the statements will be from NOW Communications, Inc. ("NOW"). NOW will provide continued excellent service, and also offers prepaid long distance services.* NOW's basic monthly service is \$49.99 per month; however, that price includes all federal, state, and local taxes and surcharges - thus, you always know exactly what your phone bill will be each month. NOW also offers optional features such as Caller ID and Call Waiting for an extra charge.

You may continue to make your payments at the same locations as in the past, and may also pay at any Western Union location using the Swift Pay program. You may also mail the payment to NOW. Your next bill will contain NOW's address, toll-free telephone number, and all of your billing information, including the payment due date and temporary disconnection date.

Refer your friends to NOW and you can earn discounts and free long distance by helping NOW grow! For more information on that, or for any questions that you may have regarding this transaction, payment options, or prepaid long distance services, please call NOW toll-free at 1-888-565-1011.

Sincerely,

TELECONEX, INC.

**You may choose another local phone service provider, but only NOW can guarantee that your phone number will remain the same.*