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October 29, 1996

BY OVERNIGHT DELIVERY (904)423-6600

*to 1304-TI*

Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: Notification of Transfer of Control  
of Heartline Communications, Inc.

To the Division of Records and Reporting:

On behalf of Heartline Communications, Inc. ("HCI"), this letter is to advise the Florida Public Service Commission of a pro forma transfer of control from HCI, a privately held corporation, to Total National Telecommunications, Inc. ("TNT"), a wholly owned subsidiary of International Standards Group Limited ("ISG"). As described in detail below, this transfer is a pro forma transaction and no transfer of control or change in ultimate ownership is involved. HCI nonetheless submits this notification to inform the Commission and to ensure that all the rules and regulations of the Commission have been met. Should the Commission determine that this notification is either satisfactory and meets the Commission's requirements or is not necessary under the laws and regulations of Florida, HCI requests that the Commission issue a letter to that effect. Alternatively, should the Commission determine, upon review of this notification, that approval of this transaction is in fact required under applicable state laws and regulations, HCI requests that the Commission consider this letter as an application for approval of the transaction nunc pro tunc.

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BACKGROUND

HCI is a privately held Texas corporation headquartered in Houston, Texas. HCI is a non-dominant carrier that resells intrastate, interstate and international services acquired from underlying facilities-based carriers.<sup>1</sup> HCI was certificated to provide telecommunications services by the State of Florida pursuant to Commission Order No. PSC-93-1568 (Dkt. No. 930860-TI), issued November 17, 1993. Information concerning HCI's financial, technical and managerial abilities is available to the Commission through the proceeding noted above, and is

<sup>1</sup> See In the Matter of Heartline Communications, Inc., Order, Authorization and Certificate, 6 FCC Rcd. 5953 (1991).

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incorporated herein by reference.

Like HCI, TNT is a non-dominant carrier that resells intrastate, interstate and international services acquired from underlying facilities-based carriers.<sup>2</sup> TNT was certificated in Florida pursuant to the Florida Public Service Commission's Order No. PSC-94-1481-FOF-TI, Certificate No. 3600, issued December 23, 1994.

ISG, TNT's parent company, is a publicly traded corporation incorporated under the laws of the State of Delaware. Headquartered in Boca Raton, Florida, ISG has traditionally been in the business of providing auditing services to credit unions as well as real estate brokerage services. On August 21, 1996, TNT filed a notice with the Commission seeking approval for a transfer of control, to the extent applicable, in order that ISG could acquire all of the outstanding stock of TNT.<sup>3</sup> The Commission has placed this matter on its October 29, 1996, regular agenda.<sup>4</sup>

#### THE TRANSACTION

On January 19, 1995, HCI and TNT entered into a Purchase Agreement ("Agreement") whereby TNT acquired substantially all of the assets, as well as the liabilities, of HCI in exchange for 155,000 shares of TNT common stock. These 155,000 shares were then transferred in equal amounts of 38,750 shares to HCI's four Shareholders.<sup>5</sup> Notwithstanding the disposition of substantially all of its assets and liabilities, HCI remains a separate incorporated entity.

Among other things, the assets which were transferred from HCI to TNT include all contracts, agreements and other arrangements; all price lists, customer lists and other customer information; accounts receivable; and all cash and cash equivalents or similar types of

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<sup>2</sup> See Total National Telecommunications, Inc., File No. ITC-94-523 (Nov. 30, 1994).

<sup>3</sup> See "Notification of Corporate Restructuring of Total National Telecommunications, Inc." ("Notification"), submitted to the Commission on Aug. 21, 1996.

<sup>4</sup> Letter from Blanca S. Bayó, Director of Division of Records & Reporting, dated Sept. 10, 1996.

<sup>5</sup> These shareholders were Joseph R. Harrott, Darlene A. Kirkland, Bobby P. Lewis, and Joe W. Wiggins, each of whom held 25% of the outstanding shares of Heartline. Prior to the transaction, these four shareholders were also shareholders in TNT, each holding 12.25% of the outstanding shares of TNT. The other shareholder of TNT was TNT President Donald W. Booth, holding 51% of the outstanding shares.

investments.<sup>6</sup> TNT also acquired all rights to use the name "Heartline" or "HCI."<sup>7</sup>

The 155,000 shares of TNT common stock transferred to HCI's four shareholders give the shareholders de jure control over TNT. Specifically, HCI's original shareholders now hold 66% of the outstanding shares of TNT.<sup>8</sup> The transaction has been transparent to HCI's subscribers since TNT, upon acquiring all rights to the name HCI, has continued to provide service to these subscribers under the HCI name. Since HCI's original shareholders now clearly control TNT, HCI believes that, to the extent a transfer of control has occurred, it is in form only.

HCI respectfully submits that any temporary noncompliance with the Commission's Rules stemming from the belated submission of the instant notification is mitigated by the fact that HCI has voluntarily come forward to correct its ownership status before the Commission. Indeed, the instant transaction was first disclosed to the Commission in TNT's Notification for a reorganization and transfer of control with ISG.<sup>9</sup> Moreover, Commission approval will enable HCI to continue making efforts to enhance its provision of high quality, cost-effective services, and thus is in the public interest.

For the reasons demonstrated above, to the extent a transfer of control has occurred, it is pro forma only since HCI's former shareholders exercise de jure control over TNT.

#### PUBLIC INTEREST CONSIDERATIONS

Approval of the instant transaction will allow the company to be a more vigorous competitor, and will better position the company for continued growth. Specifically, enabling ISG's subsidiary, TNT, to acquire HCI's assets and serve its customers will enable HCI to utilize ISG's financial and managerial resources to improve customer service. In short, this transaction will facilitate lower prices and higher quality service to the public. No disruption of service nor inconvenience will result to HCI customers since the transaction will have been transparent to customers. Thus, the transaction is in the public interest.

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<sup>6</sup> See Agreement, Section 1.1.

<sup>7</sup> Id.

<sup>8</sup> The four HCI shareholders, see supra note 5, initially each received 17% of TNT's stock. Bobby P. Lewis subsequently sold 2% of the total shares to Donald W. Booth, giving Mr. Booth a total of 19% and reducing Mr. Lewis' holdings to 15% of TNT's shares. The remaining 15% of the shares has been reserved by TNT for management incentive purposes.

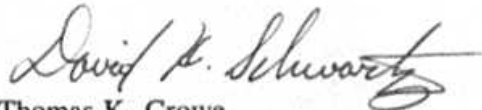
<sup>9</sup> See Notification, supra note 3, at 2 n.1.

CONCLUSION

HCI hereby submits this notification to inform the Commission of its pro forma transfer of control and to ensure that all the rules and regulations of the Commission have been met. Should the Commission determine that either this notification is satisfactory or that the notification is not necessary under the laws and regulations of Florida, HCI requests that the Commission issue a letter to that effect. Alternatively, should the Commission determine, upon review of this notification, that approval of this transaction is in fact required under applicable state laws and regulations, HCI requests that the Commission consider this letter as an application for approval of the transaction nunc pro tunc.

If you require further information or have any questions regarding the matters discussed herein, please do not hesitate to contact the undersigned.

Respectfully submitted,



Thomas K. Crowe  
David H. Schwartz  
Counsel for Heartline  
Communications, Inc.