

STATE OF ILLINOIS

JOINT APPLICATION OF INTERNATIONAL EXCHANGE COMMUNICATIONS, INC. D/B/A IE COM AND NORTH AMERICAN TELEPHONE NETWORK, L.L.C. FOR APPROVAL OF AN ASSET TRANSFER AGREEMENT

DOCKET NUMBER

00-0009

APPLICATION

International Exchange Communications, Inc. ("IE COM") and North American Telephone Network, L.L.C. ("NATN"), (sometimes referred to jointly herein as "Applicants" pursuant to applicable Statutes of Illinois and the Commission's Rules and Regulations currently in effect and/or subsequently enacted, hereby request Commission approval of a proposed Asset Transfer Agreement (the "Agreement").' As will be described in more detail below, the Agreement contemplates the purchase by IE COM of the assets of NATN. IE COM proposes to acquire the customer accounts and related assets of NATN and to begin to provide long distance service to the customers of NATN under the Certificate of Public Convenience and Necessity, or other operating authority, previously issued to IE COM. As regulated telecommunications providers, IE COM and NATN hereby seek Commission approval of the Agreement.

Commission approval of the Agreement will be beneficial to the involved companies as well as their customers. Following consummation of the Agreement and consolidation of the assets,

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¹ A copy of the proposed Asset Transfer Agreement is attached as Exhibit "A." Please Note: The Agreement is between CTN Telephone Network, Inc. ("CTN") and NATN. CTN has assigned all of its rights under the Agreement to IECOM: consequently, IECOM is seeking Commission approval of the proposed Agreement herein.

IE COM will be able to provide communications services to its customers in a more efficient manner. Approval of the Agreement will not in any way be detrimental to the public interests of the State of Illinois. The customers of both IE COM and NATN will continue to receive the same high quality service presently rendered to them. Additionally, no party to the Agreement will be given undue advantage over any other party.

In support of this Application, Applicants show the following:

I. THE PARTIES

1. IE COM is a Delaware corporation which is a wholly owned subsidiary of Pacific Gateway Exchange, Inc., a Delaware corporation which is publicly traded on the NASDAQ National Market (hereinafter "PGEX"). IE COM's principal offices are located at 533 Airport Blvd., Suite 505, Burlingame, CA 94010. IE COM is a non-dominant carrier that provides domestic and international long distance service with its own facilities or through resale of purchased services from various facilities based carriers pursuant to the FCC's *Competitive Carrier* policies and is authorized to provide local service in accordance with applicable state competitive local exchange service rules and regulations.

2. IE COM is authorized by the FCC to offer domestic interstate and international services in all fifty (50) states and the District of Columbia as a non-dominant carrier. IE COM currently originates interstate traffic in fifty (50) states, and provides intrastate service, pursuant to certification, registration or tariff requirements, or on an unregulated basis, in fifty (50) states. IE COM is a certificated interexchange carrier and local service provider in the State of Illinois.'

² IE COM is certificated in this State, pursuant to authority granted in Docket No. 98-0639, dated November 20, 1998.

3. NATN is a privately held Georgia limited liability company with principal offices located at 415 1 Ashford Dunwoody Road, Suite 675, Atlanta, GA 303 19. NATN is a non-dominant carrier that resells domestic and international long distance service from various facilities based carriers pursuant to the FCC's *Competitive Carrier* policies

4. NATN is authorized by the FCC to offer domestic interstate and international services in all fifty (50) states and the District of Columbia as a non-dominant carrier. NATN currently originates interstate traffic in forty-eight (48) states, and provides intrastate service, pursuant to certification, registration or tariff requirements, or on an unregulated basis, in forty-eight (48) states. NATN is a certificated carrier in the State of Illinois.³

II. DESIGNATED CONTACT

5. The designated contact for questions concerning this Application is:

EllenAnn G. Sands
Nowalsky, Bronston & Gothard
A Professional Limited Liability Company
3500 North Causeway Boulevard
Suite 1442
Metairie, Louisiana 70002
Telephone: (504) 832-1984
Telefax: (504) 831-0892

6. Copies of such correspondence should also be sent to:

North American Telephone Network, L.L.C.
Attn: Hans Kasper
4151 Ashford Dunwoody Road, Suite 675
Atlanta, GA 303 19

and

³ NATN is certificated in this State, pursuant to authority granted in Docket Number 96-0121, effective date July 31, 1996.

International Exchange Communications, inc.
Attn: Gail E. Granton
533 Airport Blvd., Suite 505
Burlingame, CA 94010

III. REQUEST FOR APPROVAL OF THE ASSET PURCHASE AGREEMENT

7. Applicants propose a transaction which will accomplish the following:
 - a. NATN shall sell, transfer and assign to IE COM all of NATN's right, title and interest in and to NATN's assets, as defined in the Asset Purchase Agreement;
 - b. In consideration for the above transfer and sale of assets, IE COM will pay to NATN the purchase price set forth in the Asset Purchase Agreement; and
 - c. The assets to be purchased by IE COM include, to the extent permitted by this Commission, all of NATN's customer accounts.

8. IE COM is well-qualified to consummate the transaction which is the subject of this Application. Current financial information for IE COM is included in the financial statements of IE COM's publicly held parent company, PGEX, which are attached hereto as Exhibit "B".⁴

9. IE COM proposes this transaction to transfer and consolidate the customer accounts of NATN in order to create a single, larger provider of telecommunications facilitating efficiencies for the benefit of IE COM's customers. By virtue of these transactions, IE COM will realize significant economic, marketing and administrative efficiencies.

10. Following consummation of the transaction discussed above, all of the present customer accounts of NATN will be transferred to IE COM, and IE COM will continue to service these customers through and pursuant to the Certificate of Public Convenience and Necessity, or

⁴ Exhibit "B" consists of PGEX's Financial Statement for the year 1999.

other operating authority, presently utilized by IE COM in servicing its existing customers in this State, to the extent permitted by the Commission.⁵

11. The technical, managerial and financial personnel of NATN will assist with the transition and integration of the acquired Assets after the transaction, and along with the technical, managerial and financial personnel of IE COM, will continue to serve the transferred NATN customers with the same high level of expertise

IV. PUBLIC INTEREST CONSIDERATIONS

12. 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 NATN.

The proposed transaction will serve the public interest for the following reasons:

- a. It will enable IE COM 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 IE COM.
- b. It will increase the appeal to present and potential customers because of IE COM's larger size and greater variety of service offerings as well as enhance the ability of IE COM to appeal to and serve national accounts.
- c. Finally, it will result in cost savings as the result of discounts on quantity ordering of materials and services.

13. 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

⁵ Upon consummation of the proposed transaction, IE COM intends to notify all current end users of NATN of the event and that no customers of NATN will experience any change in rates due to the transaction by bill insert, a sample copy of which is attached hereto as Exhibit "C". To the extent that any present NATN rate products are eventually changed or are not presently included in IE COM's Tariffs, IE COM will amend its Tariffs accordingly to include such rates. As a result, the transaction should not cause any inconvenience or confusion to the pre-existing customers of either NATN or IE COM. In no event shall the customers of either NATN or IE COM incur any increase in rates presently enjoyed by them.

capacity of IE COM to compete in the marketplace and to provide telecommunications services for a greater number of Illinois consumers at competitive rates.

14. Additionally, IE COM will possess a greater customer account base as the result of the proposed purchase of assets, and will thus be a stronger carrier to provide high quality service to all customers presently serviced by both IE COM and NATN.

V. EXPEDITED REVIEW

15. Applicants request expedited review and disposition of the instant Application in order to allow Applicants to consolidate their respective operations as soon as possible.

VI. NO TRANSFER OF CERTIFICATES

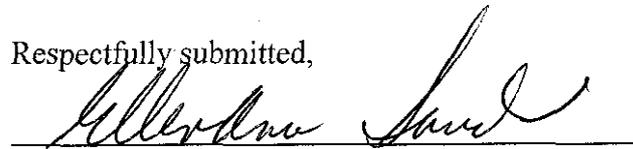
16. Applicants do not request transfer of NATN's Certificate of Public Convenience and Necessity, or other operating authority, to IE COM.

VII. CONCLUSION

17. WHEREFORE, for the reasons stated herein, Applicants respectfully request that the Commission authorize IE COM and NATN to consummate the Agreement described above. More specifically, Applicants request that the Commission, on an expedited basis, approve the Agreement, the asset purchase transaction contemplated therein and the transfer of NATN's current customer accounts to IE COM.

DATED this 4th day of January, 2000

Respectfully submitted,



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3500 North Causeway Boulevard
Suite 1442
Metairie, Louisiana 70002
(504) 832-1984
Counsel for International Exchange Communications,
Inc. ("IE COM") and North American Telephone
Network, L.L.C. ("NATN")

STATE OF California

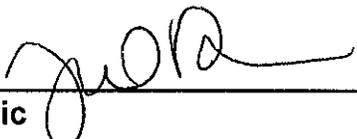
COUNTY OF San Mateo

VERIFICATION

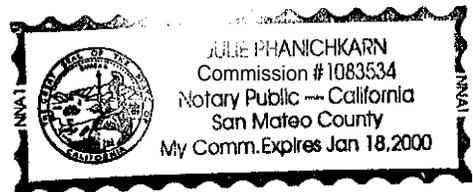
I, Sandra Grey, am the CFO/Vice President- Finance of International Exchange Communications, Inc., and am authorized to make this verification on its behalf. The statements made in the foregoing Application are true of my own knowledge, except as to those matters which are therein stated on information and belief, and as to those matters I believe them to be true.

By: 
Name: Sandra Grey
Title: ~~Vice President Finance~~ - CFO

Sworn to and subscribed before me, Notary Public, in and for the State and County named above, this 9th day of December, 1999


Notary Public

My commission expires: Jan. 18, 2000



STATE OF LOUISIANA

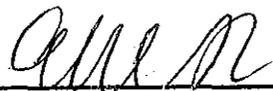
COUNTY OF ORLEANS

VERIFICATION

I, Hans Kasper, am the President of North American Telephone Network, L.L.C., and am authorized to make this verification on its behalf. The statements made in the foregoing Application are true of my own knowledge, except as to those matters which are therein stated on information and belief, and as to those matters I believe them to be true.

By: 
Name: Hans Kasper
Title: President

Sworn to and subscribed before me, Notary Public, in and for the State and County named above, this 22nd day of December, 1999


Notary Public

My commission expires: at death