

Decision \_\_\_\_\_

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Joint Application of G3 Telecom USA Inc. (U7237C and U1165C) and Telehop Communications, Inc. for Approval of a Transfer of Control of G3 Telecom USA Inc. pursuant to California Public Utilities Code Section 854(a).

Application 14-05-018  
(Filed May 14, 2014)

**DECISION AUTHORIZING TRANSFER OF CONTROL****1. Summary**

Applicants G3 Telecom USA Inc. (G3) and Telehop Communications Inc. (Telehop) are granted approval to consummate a transaction (Transaction) whereby Telehop will indirectly acquire G3, which is a certificated carrier providing interconnected Voice Over Internet Protocol services and resold inter-exchange services in California. Application 14-05-018 is closed.

**2. Parties to the Transaction****2.1. G3 Telecom USA Inc.**

G3 Telecom USA Inc. (G3) is incorporated under the laws of the state of Delaware with principal offices located at 1039 McNicoll Avenue, Toronto, Ontario, Canada. It was registered with the State of California as a provider of interconnected Voice Over Internet Protocol (VoIP) services on February 12, 2012 and issued VoIP provider number (U1165C). It subsequently applied for and on October 14, 2012 received a Certificate of Public Convenience and Necessity (CPCN) to operate as a provider of resold inter-exchange services within the

State of California (U7237C). It is 100% owned and controlled by Suraj Holdings, Inc. which is in turn 100% owned by the Arora Family Trust, the beneficiaries of which are Rajan and Sonia Arora and their descendants.

G3 is affiliated with several other companies<sup>1</sup> that provide telecommunications or related services and that are being purchased by Telehop as part of the Transaction. None of these affiliates is a U.S. company and none provide telecommunication services with the U.S.

## **2.2. Telehop Communications Inc.**

Telehop is a publicly-held Canadian Corporation, incorporated under the laws of the Province of Ontario with Principle office at 1039 McNicoll Avenue, Toronto, Ontario, M1W 3W6, Canada. Telehop provides resold long distance services and interconnected VoIP services within Canada and to international locations. Telehop is licensed by the Canadian Radio-television and Telecommunications Commission (CRTC) as a Class "A" telecommunications carrier. Telehop has several wholly-owned subsidiaries including International Telehop Network Systems, Inc., Telehop Long Distance Service Ltd., Telehop Premium Business Services Inc. and CardTel Corp. All of the subsidiaries are also Canadian companies. Neither Telehop nor any of its subsidiaries operates as a carrier within the U.S.

## **2.3. Telehop Agencies Inc.**

Telehop Agencies Inc. (Agencies) is a wholly-owned subsidiary of Telehop Communications Inc incorporated under the laws of the Province of Ontario

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<sup>1</sup> G3 Telecom Corp. (Canada), G3 Telecom Services Inc. (Canada), 1530487 Ontario Inc. (Canada), 7140282 Canada Inc. (Canada) ALO Mobile Inc. (Canada) ALO Telecom Inc. (Canada), Ellora Philipines Inc. (Philippines) and Suraj Telecom Ltd (Barbados).

with principle offices at 1039 McNicoll Avenue, Toronto, Ontario, M1W 3W6 Canada. Agencies was created strictly for the purpose of the Transaction and will be dissolved on the Transaction is fully closed.

### **3. The Proposed Transaction**

Pursuant to a Purchase Agreement (Agreement) between the Joint Applicants, Telehop will purchase the shares of G3 and its various affiliated companies for a combined sum of \$4.3 million, payable \$2.0 million in cash , \$1.5 million over 24 months with interest at 5% and \$800,000 by the issuance of eight million common shares of Telehop. Initially, G3 will be acquired as a wholly-owned subsidiary of Agencies. Once the Transaction is fully closed and all obligations of the Transaction are satisfied, Agencies will be dissolved, leaving G3 as a direct wholly-owned subsidiary of Telehop.

No transfer of G3's CPCN assets or customers will occur with the Transaction. The applicants state that the Transaction will not cause any immediate change in the direct ownership or legal structure of G3. They represent that the Transaction will not affect the daily management or operations of G3, and after the Transaction is consummated, G3 will continue to provide service at current rates, terms, and conditions. Applicants further assert that the Transaction will not eliminate existing or potential competitors, and will enhance G3's ability to compete, to the ultimate benefit of consumers. Mr. Rajan Arora, currently owner of G3 via his ownership interest in Suraj Holdings Inc., will acquire 24.79% of the stock of Telehop and will hold a position on the Telehop Board of Directors.

### **4. Discussion**

The primary standard by which the Commission reviews whether a transaction should be approved under Section 854(a), is whether the transaction

will be “adverse to the public interest.”<sup>2</sup> As part of its determination, and where a company acquiring control of a certificated telecommunications carrier does not possess a CPCN in California, the Commission applies the same requirements that govern a new applicant seeking a CPCN to exercise the type of authority held by the company being acquired. Specifically, a company acquiring control of a certificated reseller of interexchange services must demonstrate that it possesses a minimum of \$25,000 in cash or cash equivalent and adequate technical expertise in telecommunications or a related business.

The joint applicants have provided information that reflects that the proposed change in ultimate ownership of G3 will not adversely impact its operations or financial status. They have provided information that demonstrates that the acquiring company, Telehop, has sufficient managerial and technical expertise and sufficient financial resources to operate the acquired carrier.

Information provided about Telehop’s management team under Exhibit G to the application reflects its significant experience in a variety of industries, including the telecommunications industry. Joint applicants also state that to the best of their knowledge, no one associated with or employed by Telehop as an affiliate, officer, director, partner, or owner of more than 10% of Telehop was: previously associated with a telecommunications carrier that filed for bankruptcy; sanctioned by the Federal Communications Commission (FCC) or any state regulatory agency for failure to comply with any regulatory statute, rule, or order; or previously associated with any telecommunication carrier that

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<sup>2</sup> See Decision (D.) 03-12-033 at 6; D.01-06-007 at 15.

has been found either civilly or criminally liable by a court of appropriate jurisdiction for a violation of Section 17000, et seq. of the California Business and Professions Code, or for any actions which involved misrepresentations to consumers, nor is currently under investigation for similar violations. In addition, joint applicants have represented that there will be no change in G3's management, operations, and service offerings and thus the transaction will not affect G3's operations. Thus, the transaction satisfies the Commission's technical requirements.

As for financial qualifications, the applicants have attached Telehop's 2012 audited consolidated financial statements as Exhibit F. The financial statements of Telehop reflect that it has more than sufficient cash or cash equivalents to meet the Commission's requirements for acquiring a CPCN. Accordingly, the Transaction meets the requisite financial requirements and there is no basis to find that the transaction will adversely affect G3's financial status.

We find that Applicants have demonstrated that Telehop has the financial and technical qualifications to acquire G3.

We also find that the transaction is consistent with the public interest. There will be no immediate changes to G3's direct management or the service that G3 provides as a result of the transfer. Joint applicants represent that G3 will continue to operate in the same manner after the transaction is completed as it operates today. Joint applicants also assert that there will be no interruption or disruption of service to customers. The Transaction will thus be seamless for G3's customers. Finally, the applicants note that the transfer of control will enable G3 to become a stronger competitor and allow it to compete with other, larger telecommunications providers in California. Increased competition will

benefit consumers and the telecommunications marketplace. Accordingly, we find that the Transaction is not adverse to the public interest.

#### **5. CEQA Compliance**

The application proposes no new construction and thus, there is no possibility that the transaction will have a significant adverse impact on the environment. The Transaction does not constitute a “project” under the California Environmental Quality Act, California Public Resources Code, Section 21000, et. seq.

#### **6. Waiver of Comment Period**

The application was noticed on May 21, 2014. No protests were filed. This is an uncontested matter in which the decision grants the relief requested. Applicants have requested expedited approval. Accordingly, pursuant to Public Utilities Code Section 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

#### **7. Categorization and Need for Hearings**

In ALJ-Resolution 176-3337, the Commission preliminarily categorized this proceeding as ratesetting, and preliminarily determined that hearings were not necessary. Based on the record, the Commission concludes that a public hearing is not necessary, and the preliminary determinations in ALJ-Resolution 176-3298 therefore will not be altered.

#### **8. Assignment of Proceeding**

Carla J. Peterman is the assigned Commissioner and Karl J. Bemesderfer is the assigned Administrative Law Judge in this proceeding.

**Findings of Fact**

1. G3 is a Delaware limited liability company certificated to provide resold interexchange telephone services in California.
2. Telehop is a publically-held Canadian corporation.
3. Agencies is a wholly-owned subsidiary of Telehop created specifically to facilitate the transfer of G3 to Telehop.
4. The Transaction would result in Agencies acquiring 100 per cent of the ownership interests in G3 and Telehop thereby becoming the ultimate parent of G3.
5. The applicants have demonstrated that they have sufficient financial resources and the technical expertise to operate as a provider of resold interexchange telephone services.
6. No new construction is being proposed in the application.
7. No one associated with or employed by Applicant as an affiliate, officer, director, partner, or owner of more than 10% of Applicant was: previously associated with a telecommunications carrier that filed for bankruptcy; was sanctioned by the FCC or any state regulatory agency for failure to comply with any regulatory statute, rule, or order; or was previously associated with any telecommunication carrier that has been found either civilly or criminally liable by a court of appropriate jurisdiction for a violation of Section 17000, et seq. of the California Business and Professions Code, or for any actions which involved misrepresentations to consumers, nor is currently under investigation for similar violations.
8. Notice of this application appeared on the Commission's Daily Calendar on May 21, 2014. There were no protests to the application.
9. No hearings are necessary.

**Conclusions of Law**

1. The Commission applies the same requirements to a request for approval of an agreement for the indirect transfer of control of providers of interexchange services, as it does to an initial applicant for authority to provide such services.

2. Telehop meets the Commission's requirements for an acquiring company of an authorized provider of interexchange telecommunications services.

3. The indirect transfer of control of G3 proposed in the application would not be adverse to the public interest.

4. It can be seen with certainty that the proposed transfer will not have any adverse impact on the environment.

5. The application should be approved.

6. The matter is uncontested, and the decision accordingly should be effective on the date it is signed.

**O R D E R**

**IT IS ORDERED** that:

1. Pursuant to Public Utilities Code Section 854 (a), the indirect transfer of control of G3 Telecom USA Inc. (U7237C and U1165C) to Telehop Communications Inc., in accordance with the documents and the Agreement submitted in conjunction with Application 14-05-018, is authorized.

2. G3 Telecom USA Inc. (G3) shall continue to adhere to all the Commission rules and procedures relating to Certificate of Public Convenience and Necessity holders, as set forth for G3 in Decision 12-10-010.

3. Application 12-07-012 is closed.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.