



Agenda Date: 02/11/15
Agenda Item: IVA

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

TELECOMMUNICATIONS

IN THE MATTER OF THE JOINT PETITION OF)
COMPASS CAPITAL INC., COMPASS ATLANTIC INC.,)
TERI L. O'FLAHERTY, MATTHEW S. O'FLAHERTY,)
AND STACY HERGENRADER FOR AUTHORIZATION)
FOR TRANSFER OF CONTROL OF SELECTEL INC.) DOCKET NO. TM14121441

Parties of Record:

Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel
Grace Strom Power, Esq., Eckert Seamans Cherin & Mellott, LLC, on behalf of Petitioners

BY THE BOARD:

On December 24, 2014, pursuant to N.J.S.A. 48:2-51.1, N.J.S.A. 48:3-7, N.J.S.A. 48:3-9, and N.J.S.A. 48:3-10, Compass Capital Inc. ("Compass Capital"), Compass Atlantic Inc. ("Compass Atlantic"), Matthew S. O'Flaherty, Teri L. O'Flaherty, and Stacy Hergenrader (collectively, "Joint Petitioners" or "Petitioners") filed a verified petition with the Board requesting approval of a change control as the result of a transfer of stock of Selectel Inc. ("Selectel"), and a related loan transaction ("Transaction"). Following the proposed Transaction, Selectel will continue to offer the same services in New Jersey at the same rates, terms, and conditions.

BACKGROUND

Selectel, Inc. is a privately held corporation organized under the laws of the State of Nevada with offices located in Fremont, Nevada. According to the petition, Selectel has 227 landline customers in New Jersey. Nationwide, Selectel had 2009 landline subscribers and 2014 landline revenues of approximately \$2 million. In addition to providing local and long distance service, Selectel also acts as a mobile virtual network operator of Verizon Wireless service. In New Jersey, Selectel is authorized to provide local exchange telecommunications services. Additional information of Selectel may be found in that Order. In the Matter of the Petition of Selectel, Inc. for Approval to Provide Local Exchange Telecommunications Services Throughout the State of New Jersey, Docket No. TE12010032 dated March 12, 2012.

Compass Capital Inc. is a privately held Ontario corporation with executive headquarters in Toronto, Ontario, Canada. Compass Atlantic Inc. is a wholly owned subsidiary of Compass Capital and a Delaware corporation with executive offices also located in Toronto, Ontario, Canada. According to the Petition, Compass Capital is a Canadian investment company that will focus on investments in a variety of sectors, including telecommunications, real estate, and infrastructure. Matthew O'Flaherty, Teri O'Flaherty, and Stacy Hergenrader are individual shareholders of Selectel, as well as members of the current Selectel management team.

DISCUSSION

The petition provides that the purpose of the Transaction is the potential for a new source of investment capital for Selectel in order to permit it to continue and expand its operations. The Transaction will take place at the holding company level, will have no impact on the day-to-day operations of Selectel, and will be transparent to Selectel's customers who will continue to receive the same services at the same tariffed rates, terms, and conditions after the Transaction has been consummated. Compass Capital Inc. formed a Delaware corporation, Compass Atlantic Inc., that will acquire a majority of the stock of Selectel. Compass Atlantic will acquire all of the stock of Teri O'Flaherty and Stacy Hergenrader, and 3.33% of Selectel from Matthew O'Flaherty such that, following the Transaction, Compass Atlantic will hold a majority interest of 70% of the stock and the remaining 30% will be held by Matthew O'Flaherty.

In conjunction with the change of control, the Joint Petitioners request Board approval for the issuance of a note by Selectel as required by N.J.S.A. 48:3-10. In connection with the Transaction, Compass will provide debt financing to Selectel in the form of a \$2 million line of credit. The line of credit will have an interest rate of 1% per annum for three (3) years from the closing date of the transaction. After the end of the 3-year period, any unpaid amounts will accrue interest at 6% per annum. The line of credit will be used by Selectel to achieve its growth objectives, most importantly the establishment of new retail stores. The line of credit agreement will include a requirement that Selectel grant a security interest in its assets to secure the credit facility.

In evaluating this petition, the Board must be satisfied that positive benefits will flow to customers and the State of New Jersey and, at a minimum, that there are no adverse impacts on any of the criteria delineated in N.J.S.A. 48:2-51.1 and N.J.A.C. 14:1-5.14(c). Also, pursuant to N.J.S.A. 48:3-7 and N.J.S.A. 48:3-10, the Board must determine whether the public utility, or a wholly owned subsidiary thereof, may be unable to fulfill its pension obligations to any of its employees.

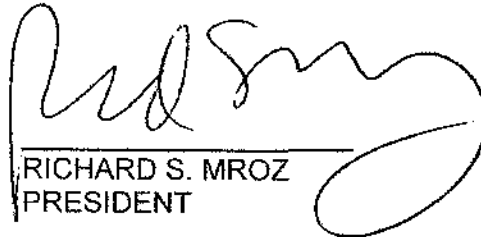
Petitioners state that the proposed transaction will be transparent to Selectel's customers and will not result in any change to the services received by customers, including rates, terms and conditions of service. Petitioners assert that following the transaction, Selectel will continue to receive services under the Selectel brand name and utilize the same assets to provide those services. Further, the petition provides that the transaction will have no immediate effect on the operations of Selectel.

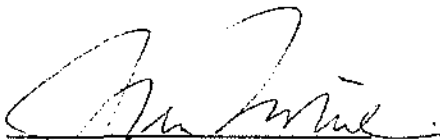
Petitioners state that because the proposed Transaction constitutes a change of control at the holding company level, it will be transparent to customers, and there will be no migration of customers. Therefore, Petitioners request that the Board determine that the mass migration rules, N.J.A.C. 14:10-12.1 et seq., do not apply to this transaction.

This Order shall be effective February 23, 2015.

DATED: 2/12/15


BOARD OF PUBLIC UTILITIES
BY:


RICHARD S. MROZ
PRESIDENT

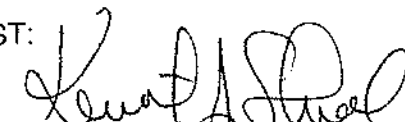

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MARY-ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
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ATTEST:


KENNETH J. SHEEHAN
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities.


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SELECTEL INC.

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