



Control Number: 25000



Item Number: 3303

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March 3, 2011

**VIA OVERNIGHT DELIVERY**

James Galloway  
ATTN: Central Records  
Public Utility Commission of Texas  
1701 North Congress Avenue  
William B. Travis Building  
Austin, Texas 78701  
(512) 936-7000

Re: Global Capacity Group, Inc. and GC Pivotal, LLC  
Transfer of Assets  
Control No. 25000

Dear Mr. Galloway:

Please be advised with this original letter and four (4) copies that Global Capacity Group, Inc. ("GCG"), Global Capacity Holdco, LLC ("GC Holdco"), and GC Pivotal, LLC ("Pivotal"), hereinafter collectively referred to as "Parties" will be undergoing a Transfer of Assets of GCG to Pivotal (the "Proposed Transaction"). The Parties submit that the Proposed Transaction is in the public interest and will result in continuous telecommunications service to all GCG customers at just and reasonable rates.

On March 1, 2011, GC Pivotal, LLC filed an Application for a Service Provider Certificate of Operating Authority within the State of Texas.

On July 23, 2010, Global Capacity, including Capital Growth Systems, Inc. and its direct and indirect subsidiaries commenced voluntary petitions for relief pursuant to Chapter 11 of Title 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Cases").

By order entered on January 26, 2011, the Bankruptcy Court for the District of Delaware approved the sale of substantially all of the assets of the jointly-administered Global Capacity debtors, including direct and indirect subsidiaries of Capital Growth Systems, Inc., to Pivotal Global Capacity, LLC or its wholly-owned subsidiary assignee GC Pivotal, LLC (the "Bankruptcy Court Order Approving Sale"). The sale closes and becomes effective upon required regulatory approvals being obtained. Section 4.1 of the Asset Purchase Agreement ("APA") approved under the order defines the Closing Date as occurring as soon as practicable after all conditions in Article XI have occurred. Section 11.1(h) requires regulatory approval of all relevant governmental entities, and Section 8.5 of the APA provides for the parties to use commercially reasonable efforts to obtain such regulatory approvals. If all regulatory approvals have not been obtained by an outside deadline of the Regulatory Approval Date (which will be August 8, 2011), the closing may still occur, with assets lacking such regulatory approval to be transferred thereafter, when such approval is obtained. Such assets will be managed by the seller pursuant to a management agreement until regulatory approval is granted.

## **I. The Parties**

### **A. Global Capacity Group, Inc.**

GCG is a Texas corporation with principal offices located at 200 South Wacker Drive, Suite 1650, Chicago, Illinois 60606. GCG delivers telecommunications logistics solutions to a global client set consisting of systems integrators, telecommunications companies and enterprise customers. GCG is authorized to provide intrastate resold and facilities-based local exchange and/or interexchange services in Alabama, Arkansas, California, Colorado, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Massachusetts, Michigan, Mississippi, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Oregon, Pennsylvania, Rhode Island, South Dakota, Texas, Utah, Vermont, Washington, West Virginia, Wisconsin and Wyoming. GCG is Registered to Provide Interexchange Services; Certificate No. IX040017 granted April 21, 2004. In addition, GCG holds blanket FCC domestic Section 214 authority and operates pursuant to the FCC international Section 214 authority held by GC Holdco. GCG is a direct, wholly-owned subsidiary of GC Holdco, which in turn is a wholly-owned subsidiary of Capital Growth.

**B. Capital Growth Systems, Inc.**

Capital Growth is a publicly-traded Florida corporation with principal offices located at 200 South Wacker Drive, Suite 1650, Chicago, Illinois 60606. Capital Growth's principal business activities involve the delivery of network logistics solutions that enable customers to optimize and manage their complex global networks, resulting in improved efficiency, reduced cost, and simplified operations. The company leverages a proprietary knowledge base of global telecommunications pricing and supply data, customized tools that analyze and optimize complex networks, and structured processes focused on the entire telecom supply chain to deliver logistics solutions to its clients. These activities are conducted primarily through GCG.

**C. Global Capacity Holdco, LLC**

GC Holdco is a Delaware limited liability company with principal offices located at 200 South Wacker Drive, Suite 1650, Chicago, Illinois 60606. GC Holdco is a holding company that was formed to hold Capital Growth's interests in GCG to facilitate the Proposed Transaction.

**D. GC Pivotal, LLC**

Pivotal is a Delaware limited liability company with principal offices located at 3200 East Camelback Road, Suite 295, Phoenix, Arizona 85018. Pivotal is a newly formed operating company that was formed to facilitate the ability of its indirect parent, FFN Investments, LLC ("FFN"), to acquire the telecommunications assets currently held by GCG and then operate those assets. FFN is an Arizona limited liability company with principal offices located at 3200 East Camelback Road, Suite 295, Phoenix, Arizona 85018. FFN is the direct 100% parent of Pivotal Global Capacity, LLC ("Pivotal Holdco") which in turn owns 100% of Pivotal. FFN is a management company owned and controlled by a series of trusts formed for the benefit of F. Francis Najafi and his family members.

Pivotal will offer resold data circuits by utilizing the facilities of incumbent local exchange carriers ("LECs") and other facilities-based carriers. Pivotal will not own its own circuits or fiber. Pivotal will resell Layer One (DS-1's & OCNs), Layer Two (ATM and Frame Relay), and Layer Three (MPLS) data circuits to business customers only. No voice services will be provided. All services will be provided pursuant to contracts between Pivotal and its customers. Pivotal has no plans to install either purchased or leased facilities.

## **II. Designated Contact**

The designated contact for questions concerning this Notice is:

Lance J.M. Steinhart, Esq.  
Lance J.M. Steinhart, P.C.  
1720 Windward Concourse  
Suite 115  
Alpharetta, GA 30005  
(770) 232-9200/Phone  
(770) 232-9208/Fax  
lsteinhart@telecomcounsel.com/Email

## **III. Description of Transaction**

The Bankruptcy Order Approving Sale was issued on January 26, 2011, and under the terms of that order, Pivotal is purchasing substantially all of the assets of GCG. Upon completion of the Proposed Transaction, the assignment of assets from GCG to Pivotal will have no adverse impact on customers. Customers will continue to receive their existing services at the same rates, terms and conditions as at present. Furthermore, upon closing of the Proposed Transaction, Pivotal will change its name to Global Capacity, LLC and will make all necessary filings to effectuate the name change with the Commission. If for any reason the sale order is not effectuated, Pivotal intends to acquire the assets by foreclosure of the security interests of Pivotal Holdco. Capital Growth and its affiliates are party to a series of Pledge Agreements, and a Term Loan and Security Agreement, dated as of November 19, 2008. The original lender's rights under those Pledge Agreements subsequently were assigned to Pivotal Holdco, the parent of Pivotal. Further, Pivotal Holdco is the successor Debtor in Possession lender in the Bankruptcy Cases, holding a first priority security interest in all of the Debtors' assets to collateralize the Debtor in Possession loan facility. Under these agreements, Pivotal Holdco may foreclose on its security interests and acquire the assets held by Capital Growth through GCG if certain repayment and other conditions are not met. If Pivotal Holdco does so, it would assign the assets to Pivotal. If foreclosure is necessary before all regulatory approvals are granted, the assets in states without regulatory approval will be managed by seller pursuant to a management agreement until regulatory approval is granted.

The Proposed Transaction will provide Pivotal as the successor in interest to GCG, with greater operating flexibility to pursue operating purposes, including, without limitation, (a) expansion of its telecommunications infrastructure; (b) improvement of customer service, billing, financial reporting and other management information systems; and (c) possible acquisitions, future investments or strategic alliances.

Organizational charts showing the current ownership structure, and the ownership structure after the Proposed Transaction, are attached hereto as Exhibit A.

In connection with the Proposed Transaction, customers of GCG will be transferred to Pivotal after being notified of the pending transaction in compliance with Section 64.1120(e) of the FCC's rules, 47 C.F.R. § 64.1120(e), and applicable state requirements. The notice will be substantially consistent of that attached as Exhibit B. Pivotal will ensure that the required notice is provided at least 30 days prior to the consummation of the Proposed Transaction.

#### **IV. Public Interest Showing**

The Parties respectfully submit that the Proposed Transaction is in the public interest. The Proposed Transaction will not adversely affect the customers of GCG. In fact, the operations of the company will be better because the Company will be economically much stronger. The economic benefits are expected to strengthen the company's ability to expand its service offerings to a broader customer base. The Parties also expect that the Proposed Transaction will enable the company to strengthen its competitive position to the benefit of consumers and the telecommunications marketplace.

The Proposed Transaction will also serve the public interest by facilitating the assignment of the telecommunications assets of GCG, including their customer bases, to Pivotal, which has the financial strength and resources to ensure continuity of service to the existing customers. Absent this assignment, GCG will be in financial distress, and possibly would be liquidated—both of which would place that continuity of service in jeopardy. Thus, the Proposed Transaction is necessary to ensure that there is no interruption of service to customers. In fact, the Proposed Transaction would not affect the day-to-day service that customers currently receive and such service will be offered on the same terms and conditions following the Proposed Transaction.

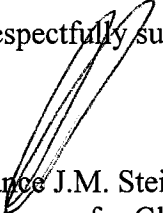
In addition, the Proposed Transaction will involve no disruption or impairment of service to customers, the facilities used to provide such services, or the rates, terms and conditions of such service. GCG corporate officers and management team responsible for its day-to-day operations are expected to remain essentially the same immediately following the Proposed Transaction. The Proposed Transaction will not have an adverse effect on non-management employees of GCG. Finally, all existing customer service numbers/operations, contacts and procedures of GCG will also remain in place after the Proposed Transaction, including procedures relating to billing, repair and customer complaints.

March 3, 2011

I have also enclosed an extra copy of this letter to be date stamped and returned to me in the enclosed, overnight envelope.

If you have any questions or if I may provide you with additional information, please do not hesitate to contact me. Thank you.

Respectfully submitted,



Lance J.M. Steinhart  
Attorney for Global Capacity Group, Inc.,  
and Global Capacity Holdco, LLC

Enclosures

ec: Mr. Dan Kardatzke  
Thomas H. Campbell, Esq.  
Mr. Richard Garner

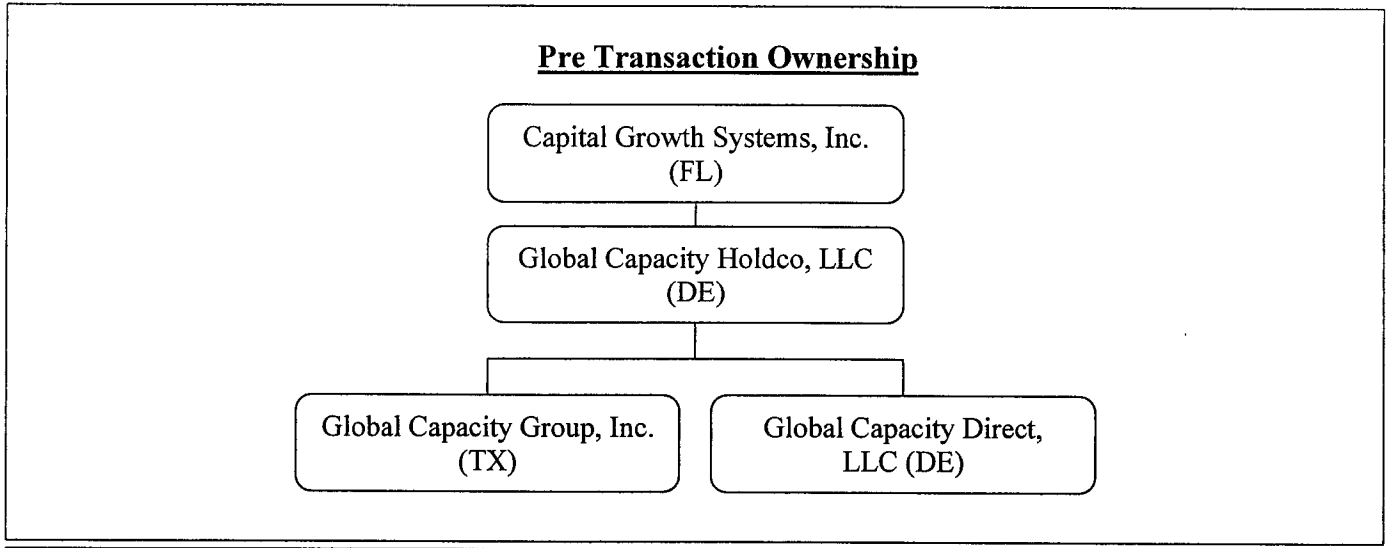
## LIST OF EXHIBITS

Exhibit A      Organizational Charts

Exhibit B      Form of Customer Notice

Exhibit A

Organizational Charts



**Post-Transaction Ownership**

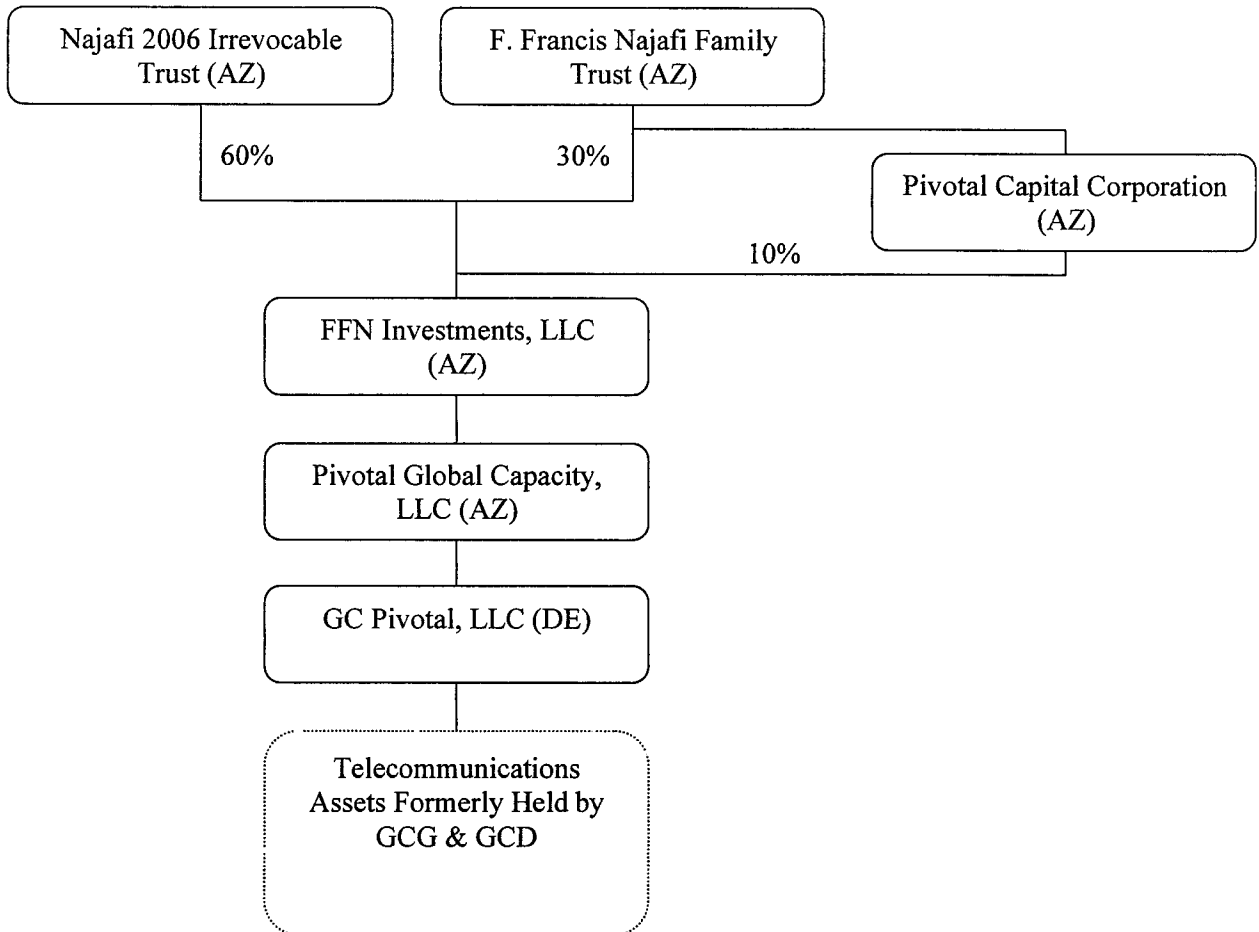


Exhibit B

Form of Customer Notice

## IMPORTANT INFORMATION REGARDING YOUR TELECOMMUNICATIONS SERVICE

[DATE]

Dear Customer:

We are writing to inform you that beginning on or about [CLOSING DATE] the service currently provided to you by Global Capacity Group, Inc. (the "Company") will be provided by GC Pivotal, LLC ("GCP"). Although the legal identity of your service provider will change, you will continue to receive service under the same rates, terms, and conditions, and without interruption.

### **What does this mean?**

Your services will not be affected during the transition. Be assured this change will be beneficial to you. You will continue to receive your existing services at the same rates, terms and conditions of service as at present. If any future changes to the rates, terms and conditions of service are made, those changes and notice will be made consistent with legal requirements and your terms of service.

### **When will the change occur?**

The parties anticipate that the transfer will occur on or about [CLOSING DATE] once the regulatory approvals have been obtained. Beginning on or after that date, GCP will be providing your service and the Company will no longer be your carrier.

You do have the right to select a different provider of service, although you will be and remain responsible for any applicable early contract termination charges or other applicable fees under your current terms of service. Your services will be transferred even if you have arranged a preferred carrier freeze through your local service provider, unless you have selected a different carrier prior to the effective date. If you wish to place a new preferred carrier freeze, you must contact your local service provider to make those arrangements. The Company will handle any inquiries or complaints regarding this transfer. You can contact the Company toll free at (866) 226-4244. Please note, this advance written notice is provided to you in order to comply with Part 6, Subpart C of Title 47, §64.1120(e) of the Code of Federal Regulations.

Thank you for your continued business.

Sincerely,  
[GC Pivotal, LLC]