

Lance J.M. Steinhart, P.C.
Attorney At Law
1720 Windward Concourse
Suite 115
Alpharetta, Georgia 30005

RECEIVED
2007 AUG 15 PM 12:24
T.R.A. DOCKET ROOM

Also Admitted in New York
and Maryland

Telephone: (770) 232-9200
Facsimile: (770) 232-9208
Email: lsteinhart@telecomcounsel.com

August 14, 2007

VIA OVERNIGHT DELIVERY

Honorable Jones, Chairman
Attn: Sharla Dillon, Dockets
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-9021
(615) 741-3939

Re: Transfer of Control of
Independent Telecommunications Systems, Inc.
d/b/a ITS Communications d/b/a IXC Direct

07-00192

Dear Ms. Dillon:

Enclosed please find for filing an original and thirteen (13) copies of the Joint Petition of Independent Telecommunications Systems, Inc. d/b/a ITS Communications d/b/a IXC Direct and Capital Growth Systems, Inc.

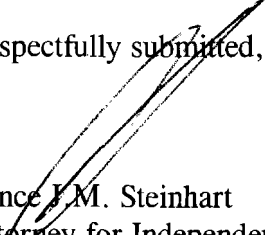
APPLICANTS HAVE ALSO ENCLOSED ONE COPY OF EXHIBIT B, THE LETTER OF INTENT, IN A SEPARATE ENVELOPE MARKED "CONFIDENTIAL AND PROPRIETARY" AND APPLICANTS RESPECTFULLY REQUEST CONFIDENTIAL TREATMENT OF THE ENCLOSED INFORMATION. APPLICANTS EXPECT THAT THIS INFORMATION WILL BE RESTRICTED TO COUNSEL, AGENTS AND EMPLOYEES WHO ARE SPECIFICALLY ASSIGNED TO THIS APPLICATION BY THE COMMISSION.

Honorable Jones, Chairman
Attn: Sharla Dillon, Dockets
Tennessee Regulatory Authority
August 14, 2007
Page 2

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

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

Respectfully submitted,


Lance J.M. Steinhart
Attorney for Independent Telecommunications Systems,
Inc. d/b/a ITS Communications d/b/a IXC Direct and
Capital Growth Systems, Inc.

Enclosures

cc: Mr. Jonathan Wynne-Evans
Mitch Goldsmith, Esq.
Dale Rietberg, Esq.

Joint Petition of
Independent Telecommunications Systems,
Inc. d/b/a ITS Communications
d/b/a IXC Direct, Inc.
and Capital Growth Systems, Inc.
for Approval of a
Transfer of Control

Independent Telecommunications Systems, Inc. d/b/a ITS Communications d/b/a IXC Direct, Inc. (“ITS”) and Capital Growth Systems, Inc. (“CGSY”) petition the Tennessee Regulatory Authority (“TRA”) pursuant to T.C.A. § 65-4-112 and 65-4-113 for approval of a transfer of control. In support of this Petition, ITS and CGSY provide the following information:

1

I. The Petitioners

Independent Telecommunications Systems, Inc. d/b/a ITS Communications d/b/a IXC Direct, Inc. is a Michigan corporation whose principal offices are located at 4079 Park East Court, Kentwood, Michigan 49546.

Independent Telecommunications Systems, Inc. d/b/a ITS Communications d/b/a IXC Direct, Inc. was granted authority to provide resale interexchange long distance service throughout Tennessee pursuant to Order issued in Docket No. 04-00108. ITS currently has approximately 6 business customers in the State of Tennessee. ITS is authorized to provide long distance service in Alabama, California, Florida, Illinois, Kentucky, Maryland, Michigan, Mississippi, Ohio, Pennsylvania, Tennessee, Texas, Washington, Virginia and Wisconsin. ITS also has authority to provide domestic interstate and international services pursuant to FCC rules and regulations. Petitioners are in the process of obtaining all required approvals from both the FCC and all applicable state regulatory authorities.

ITS is a leading provider of network solutions and professional consulting services related to data, voice and network management. Over two decades of experience in the industry has built a national base of clients who rely on ITS to deliver a wide array of Information Technology ("IT") and telecommunications solutions including:

- Data network circuit design, provisioning and management with an emphasis in point-to-point private line and Multiprotocol Label Switching (“MPLS”) networks leveraged through its presence as a national virtual carrier.
- Software and hardware based enterprise network management solutions for Fortune 2000 companies and government entities through its world class partners and in-house expertise.
- On-site and remote network management and maintenance services delivered through ITS’ team of field engineers and ITS’s advanced data center.

ITS is currently divided into three business units – the Network, Technology and Service units. The structure of these business units and their specific divisions is outlined below:

NETWORK SERVICES

ITS offers an array of networking options, including point-to-point and multipart facilities. This provides the flexibility and capacity that clients’ applications demand. ITS network focus is placed on providing clients with private line point-to-point T1 services, providing primarily voice and data connectivity using these private lines. These services typically include some form of Voice over Internet Protocol (“VoIP”).

ITS maintains a data center at its Grand Rapids headquarters capable of handling various network services. The data center houses network equipment including servers and switches, owned both by ITS and its clients. ITS possesses the engineering capabilities to expand its data center services beyond the existing client base it currently serves.

Generally, ITS provides clients with dedicated T1 lines, although bandwidths up to and including OC-3 (155Mbps) are available. Clients retain ownership of these private lines, and ITS coordinates a number of related services for its clients including long distance calling plans, Wide Area Networks (“WAN”) and Virtual Private Networks (“VPN”). Other network services ITS provides include:

- Multiprotocol Label Switching (“MPLS”)
- Perimeter Router Security Assessment
- Firewall Security Assessment
- WAN Monitoring

TECHNOLOGY SERVICES

ITS’s Technology unit includes both hardware sales and professional software services. This includes sales of Altiris® network management software. ITS is also partners with Cisco Systems and Nortel Networks, and is recognized as a Microsoft Certified Solution Provider Partner. ITS also provides professional technology support services for its clients.

SERVICE

ITS’ Service business unit is mainly responsible for providing clients with on-site management services including infrastructure, hardware and software servicing. ITS’s existing on-site service technicians primarily maintain and implement internal telephone systems, long distance and other services. Additionally, ITS provides clients with computer hardware servicing, including servicing on Apple Macintosh computer systems.

Capital Growth Systems, Inc. d/b/a Global Capacity (“**CGSY**”) is a publicly-traded corporation that delivers telecom integration services to a global client set consisting of systems integrators, telecommunications companies and enterprise customers. CGSY has acquired unique technologies and software assets in the network integration space. Management believes that these assets enable CGSY to more efficiently design, price, deliver and manage connectivity solutions on a global basis. Companies that deliver connectivity solutions are referred to as Network Operators and Logistics and Communications Systems Integrator. CGSY is a Logistics and Communications Systems Integrator (Telecom Integrator), which delivers connectivity solutions to clients but does not own the underlying infrastructure. Therefore, Telecom Integrators are generally viewed as asset light and more solution oriented than traditional network operators that are mainly telephone companies, who, in CGSY’s estimation, are more intent on offering as much of the solution as possible over their own networks.

Currently, CGSY consists of six operating subsidiaries: Global Capacity Group, Inc., CentrePath, Inc., Magenta, Ltd.; 20/20 Technologies, Inc.; Frontrunner Network Systems Corporation; and Nexvu Technologies, Inc. CGSY's core capability is represented by a database that fully automates the price and quoting of the Telecom Integrator. This system results in enhanced margins, reduced SG&A and delivery as well as creating pricing transparency in the telecommunications market. CGSY's goal is to fill a growing need for value-added managed network services and to manage relationships across multiple customers, carriers and geographies. CGSY's technology effectively automates the supply chain for the provisioning of complex data circuits domestically and internationally, as compared to the current manual process used by large carriers and most of the Telecom Integrator's.

ACQUISITION AND HISTORY STRATEGY

Prior to 2004, CGSY was a publicly reporting shell corporation with no active business. In January 2004, CGSY acquired, by way of subsidiary merger, Nexvu Technologies, LLC ("Nexvu"), a development-stage company in the application performance management business. Nexvu has developed a series of proprietary software tools, including the Nexvu Analyzer, which enables it to connect to a customer's computer network system and determine where the network is not running properly. This solution allows Nexvu customers to diagnose the root cause of a network problem, which could vary from difficulties with the software of a particular computer program, to inefficient allocation of computing time in a regional office, to improper allocation of bandwidth. The Nexvu technology also provides users with the ability to monitor the use of computer access and evaluate certain efficiency aspects of computer users on a real-time basis. Nexvu revenues are generated from both

licensing of the software as well as from CGSY's use of the software in performing consulting projects for its customers.

In September, 2004, CGSY acquired 100% of Frontrunner Network Systems Corporation via a subsidiary merger. Frontrunner is known as a "cross connect" company, which installs and services customer-premise voice, data and video networks. Frontrunner's revenues are derived from the sale of telephone systems and fees associated with the installation, maintenance, upkeep, monitoring and upgrading of these systems. The market has been trending toward convergence of voice, data and video networks. While voice switching networks are still a viable commodity, increased investment in LAN/WAN upgrades will enable these networks to support data, voice and video applications over common Internet protocol transports.

CGSY completed its third acquisition in September, 2006, when it acquired 20/20 Technologies Inc., whose assets include UK-based Magenta, Ltd., a global leader in circuit pricing and network optimization. The Magenta technology and proprietary knowledge base is one of a very limited set of databases in the world and, to the best of CGSY's knowledge, the only one with competitive global access information coupled with automation tools for calculating, configuring and quoting enterprise connectivity solutions. Magenta revenue is derived from the licensing of its information database as well as consulting services associated with analyzing and optimizing data networks (to reduce cost and enhance reliability of the networks). Magenta's clients include some of the largest telecommunication companies in the world.

On November 30, 2006, CGSY consummated its fourth acquisition of 100% of CentrePath, Inc. by way of subsidiary merger. CentrePath operates a “world class” network operations center (NOC) and provides professional services. CentrePath offers 24x7 management services with proactive notification and problem resolution of faults and performance issues for data replication and business continuity environments.

CGSY completed its fifth acquisition in December, 2006, when it acquired Global Capacity Group, Inc. Global Capacity Group provides network integration and wholesale network services to both carriers and large enterprise customers. CGSY designs, builds and manages complex communications networks using best-in-class service providers and equipment manufacturers to deliver customized solutions.

CGSY is not currently providing telecommunications in Tennessee.

II. Designated Contact

The designated contact for questions concerning this Petition for the Parties is as follows:

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

Petitioners have entered into a Letter of Intent which contemplates a definitive agreement through which: (1) CGSY's wholly owned subsidiary, ITS Merger Sub, Inc. ("ITS Merger Sub"), which was created for this purpose, will be merged with and into ITS whereupon the separate existence of ITS Merger Sub shall cease and ITS shall be the surviving corporation ("Surviving Corporation"), (2) the certificate of incorporation and by-laws of ITS Merger Sub shall become the certificate of incorporation and by-laws of Surviving Corporation, and Surviving Corporation will be called "Independent Telecommunications System, Inc." (3) the stock of ITS will be cancelled and converted into the right to receive a certain amount of cash, and (4) each share of the common stock of ITS Merger Sub will be converted into one share of the common stock of Surviving Corporation. At the conclusion of the transaction, Surviving Corporation will be the wholly owned subsidiary of CGSY.

The proposed transaction will provide ITS 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.

There is no plan to notify customers. There will be no impact on customers, since the transaction will be transparent to customers; the transaction will only result in a change in ownership for the service provider. There will be no change in name, and the company will continue to provide services pursuant to the terms and conditions of its tariff on file with the Commission.

An organizational chart, showing the current ownership structure and after the transfer is completed, is attached hereto as Exhibit A.

A copy of the Letter of Intent, Exhibit B, is being filed in a separate sealed envelope marked “ **CONFIDENTIAL AND PROPRIETARY**” under which Petitioners are requesting **CONFIDENTIAL TREATMENT**.

IV. Public Interest Showing

The Parties respectfully submit that the proposed transaction is in the public interest and should be approved by the Commission. The following factors demonstrate that the transaction will not harm rates, employees, or the provision of services at just and reasonable rates, and will result in positive benefits to customers and the State of Tennessee.

The only change to ITS will be to its ultimate ownership and control and the transfer of control of ITS will be transparent to customers and will not have any adverse impact to them. Upon consummation of the transactions contemplated by the Agreement, ITS will continue to operate under the same name and operating authority as at present. The proposed transfer of control of ITS involves no disruption, impairment, or other changes in the entity providing service to customers, the facilities used to provide such services, or the rates, terms and conditions of such service. All existing tariffs will remain in place. In addition, the contact points for customers and Commission inquiries will remain the same after the transfer of control.

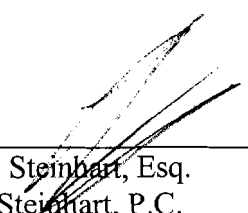
All existing customer service numbers/operations, contracts and procedures of ITS will remain in place after the Merger, including procedures relating to billing and repair complaints. Further, the transaction will not result in either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment.

V. Request for Expedited Processing and Grant to September 15, 2007.

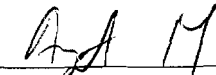
The Parties respectfully request that this Joint Petition be granted expeditiously in order to permit the Parties to complete the transaction by September 15, 2007, the current anticipated closing date for this transaction. This filing is one of a number of applications/notifications to be submitted to federal and/or state regulatory bodies with respect to the Merger. Specifically, approval is being sought from several states including California, Mississippi, Ohio, Pennsylvania and Tennessee. Accordingly, it is critical that the Parties obtain expedited approval of the transaction prior to September 15, 2007, to permit a timely completion and coordination of all aspects of this Merger.

Wherefore, Independent Telecommunications Systems, Inc. d/b/a ITS Communications d/b/a IXC Direct, Inc. and Capital Growth Systems, Inc. respectfully request that the TRA authorize the proposed Transfer of Control.

Respectfully submitted,

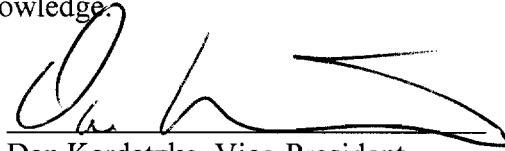


Lance J.M. Steinhart, Esq.
Lance JM Steinhart, P.C.
1720 Windward Concourse, Suite 115
Alpharetta, Georgia 30005
Telephone: (770) 232-9200
Facsimile: (770) 232-9208
E-mail: lsteinhart@telecomcounsel.com
Attorney for Petitioners

, 2007
Alpharetta, Georgia

VERIFICATION

I, Dan Kardatzke, am the Vice-President of Capital Growth Systems, Inc. ("CGSY"), and hereby verify that the information contained in the Joint Petition that pertains to CGSYS is true and correct, in all material respects, to the best of my knowledge.

A handwritten signature in black ink, appearing to read 'Dan Kardatzke', written over a horizontal line.

Dan Kardatzke, Vice-President

VERIFICATION

I, Frederick D Bynum, am the Sec/Treas of Independent Telecommunications Systems, Inc. d/b/a ITS Communications d/b/a IXC Direct, Inc. ("ITS"), and hereby verify that the information contained in the Joint Petition that pertains to ITS is true and correct, in all material respects, to the best of my knowledge.

Frederick D Bynum

TN

LIST OF EXHIBITS

Exhibit A Organizational Chart

Exhibit B Letter of Intent

Exhibit A

Organizational Chart

Pre Closing

Capital Growth Systems
100%

NexVu Technologies, LLC

Frontrunner Network
Systems Corp.

Centrepath, Inc.

Global Capacity Group,
Inc.

20/20 Technologies, Inc.
100%

Magenta netLogic
Limited

**Independent Telecommunications
Systems, Inc. d/b/a ITS
Communications d/b/a IXC Direct**
100%

Post Closing

**Capital Growth
Systems**
100%

NexVu Technologies,
LLC

Frontrunner Network
Systems Corp.

Centrepath, Inc.

Global Capacity
Group, Inc.

20/20 Technologies,
Inc.
100%

Independent
Telecommunications
Systems, Inc. d/b/a ITS
Communications d/b/a
IXC Direct

Magenta netLogic
Limited

Exhibit B

Letter of Intent

THE LETTER OF INTENT IS BEING FILED IN A SEPARATE ENVELOPE MARKED "CONFIDENTIAL AND PROPRIETARY" AND PETITIONERS RESPECTFULLY REQUEST CONFIDENTIAL TREATMENT OF THE INFORMATION. PETITIONERS EXPECT THAT THIS INFORMATION WILL BE RESTRICTED TO COUNSEL, AGENTS AND EMPLOYEES WHO ARE SPECIFICALLY ASSIGNED TO THIS PETITION BY THE COMMISSION.