

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a Session of the Public Service  
Commission held at its office  
in Jefferson City on the 7th  
day of February, 1996.

In the matter of the Application for	)	
approval of transfer of assets from	)	
Teledial America, Inc. d/b/a U.S.	)	Case No. TM-96-191
Signal to LCI International Telecom	)	
Corp. and Related Transactions.	)	

**ORDER APPROVING MERGER,  
TRANSFER OF ASSETS, AND RELATED TRANSACTIONS**

On December 13, 1995, LCI International Telecom Corporation (LCI Telecom), LCI Telemanagement Corporation (LCI Telemanagement), LCI International Management Services, Inc. (LCIM), and Teledial America, Inc. (Teledial), d/b/a U.S. Signal filed a joint application to obtain Commission approval to complete the following transactions:

1. To transfer the assets of Teledial to LCI Telecom;
2. To approve a merger of LCI Telemanagement and LCI Telecom, and
3. To obtain Commission approval for LCI Telecom and LCI Telemanagement to act as guarantors of a revolving credit facility.

On January 12, 1996, the Staff of the Commission (Staff) filed its recommendation without objection. In that recommendation the Staff stated that Teledial is a Michigan based corporation which operates as a reseller of interexchange services in 34 states, including Missouri. Teledial was certificated by the Commission to provide the resale of intrastate

interexchange telecommunications services effective January 28, 1994 in Case No. TA-94-146. In addition, Teledial is authorized by the Federal Communications Commission (FCC) to provide interstate and international telecommunications services as a nondominant reseller.

LCI Telemanagement is a Delaware corporation which was created solely for the purpose of facilitating the acquisition of Corporate Telemanagement Group (CTG), a certified interexchange carrier. On August 22, 1995, the Commission issued an Order Approving Merger in Case No. TM-95-438, which approved the merger of CTG into and with LCI Telemanagement. LCI Telemanagement is a wholly-owned subsidiary of LCI International, Inc. (LCII) and provides telecommunications services to former CTG customers in 45 states, including Missouri. LCI Telemanagement was certified by the Commission to provide the resale of intrastate interexchange telecommunications services effective September 1, 1995 in Case No. TM-95-438. Additionally, LCI Telemanagement is authorized by the FCC to provide interstate and international telecommunications services as a nondominant reseller.

LCI Telecom is a Delaware corporation which is a wholly-owned subsidiary of LCIM, which in turn is a wholly-based subsidiary of LCII. LCII is the ultimate corporate parent of the entire LCI family of companies. LCII is a Delaware corporation which provides telecommunications services in 47 states through its operating subsidiaries. LCI Telecom operates as a reseller of interexchange services in 48 states, including Missouri. LCI Telecom was certificated by the

Commission to provide the resale of intrastate interexchange telecommunications services effective August 29, 1989 in Case No. TA-89-204. LCI Telecom is also authorized by the FCC to provide interstate and international telecommunications services as a nondominant reseller.

The Staff stated that the proposed transaction will be transparent to Teledial customers. Upon consummation of the transfer of assets, Teledial will discontinue service to Missouri customers, who will, however, continue to be served from the existing Teledial tariffs. In addition, and as part of this transaction, LCII intends to enter into an amended credit arrangement whereby the existing revolving line of credit will be extended to \$650,000,000. This credit line is guaranteed by LCII subsidiaries LCI Telemanagement and LCI Telecom. LCII seeks Commission approval for LCI Telemanagement and LCI Telecom to act as guarantors of the expanded line of credit.

The Staff continued that the LCI companies propose to merge LCI Telemanagement into LCI Telecom in the following fashion: 1) merge LCI Telemanagement into LCIM, which provides management service to LCI Telecom and holds the stock of LCI Telecom, followed by 2) the transfer of LCI Telemanagement's operations from LCIM to LCI Telecom. LCI Telecom will then provide telecommunications services to LCI Telemanagement's former customers. Upon consummation of the transaction, LCI Telemanagement will discontinue providing telecommunication services to its Missouri customers, although the customers will continue to be served out of LCI Telemanagement's tariff. According to LCI's legal counsel, the proposed

transaction will take place in the previously described two-step manner to facilitate tax advantages for the companies. LCI Telecom anticipates a transition period of six months to fully integrate LCI Telemanagement's customer base into its existing operations.

The Staff was of the opinion that the proposed transactions should be approved for the following reasons: "the proposed transactions will allow the applicants to operate more efficiently, introduce new products and continue to expand operations. Additionally, there will ultimately be one LCI company with one telecommunications tariff filed with the Commission, which will be less confusing than serving customers with several tariffs. The customer base of Teledial and LCI Telemanagement will ultimately be integrated into LCI Telecom's, which would be the sole, regulated intrastate interexchange telecommunications provider of the LCI family of companies. The proposed transactions should invigorate competition in the intrastate long-distance market, resulting in benefits to customers as well as the LCI companies." The LCI companies have stated that all customers will receive appropriate notice of the above-stated transactions.

The Commission has reviewed the application, related documentation, and the Staff recommendation and finds the proposed transaction to be in the public interest. The Commission will approve the proposed transaction with the conditions as specified by the Staff in its recommendation, as follows: (a) LCI Telecom will have all of Teledial's former customers transferred to LCI Telecom's tariff within ninety (90) days of the

effective date of the Commission's Order, (b) Teledial's tariff and certificate of service authority will be cancelled ninety (90) days after the effective date of the Commission's Order, (c) LCI Telecom will have all of LCI Telemanagement's former customers transferred to LCI Telecom's tariff within ninety (90) days of the effective date of the Commission's Order, and (d) LCI Telemanagement's tariff and certificate of service authority will be cancelled exactly ninety (90) days after the effective date of the Commission's Order.

The Commission will also approve the Applicants' request to permit several of its companies to act as guarantors for a debt obligation as set out above. The Commission finds this to be in the public interest as these are competitive long distance companies, and do not require strict regulatory scrutiny.

**IT IS THEREFORE ORDERED:**

1. That the application seeking approval of plans to transfer assets, merge two companies, act as guarantors, and perform related transactions, is hereby approved, subject to the conditions suggested by the Staff of the Commission as set out in the body of this order.

2. That the joint applicants are hereby authorized to perform all matters necessary to complete the various transactions contemplated in this order and in the joint application.

3. That the joint applicants are hereby ordered to comply with the various conditions proposed by the Staff of the Commission in its recommendation and in the body of this order.

4. That this order shall become effective on February 21, 1996.

BY THE COMMISSION

A handwritten signature in cursive script, reading "David L. Rauch".

David L. Rauch  
Executive Secretary

(S E A L)

McClure, Kincheloe, and  
Crumpton, CC., Concur.  
Mueller, Chm., and  
Drainer, C., Absent.