

STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION

At a Session of the Public Service  
Commission held at its office  
in Jefferson City on the 21st  
day of July, 1995.

Joint application for authority for Frontier )  
Corporation to acquire control of Allnet ) CASE NO. TM-95-359  
Communication Services, Inc. )

ORDER APPROVING MERGER

On May 15, 1995, Frontier Corporation (Frontier) and Allnet Communication Services, Inc. (Allnet) filed a Joint Application pursuant to Section 392.300, RSMo Supp. 1993, seeking Commission authorization and approval of the acquisition by Frontier of Allnet's parent corporation, ALC Communications Corporation (ALC), and the merger of ALC into and with a newly formed subsidiary of Frontier, with ALC as the surviving entity.

Allnet is a Michigan corporation with its principal office located at 30300 Telegraph Road, Bingham Farms, Michigan 48025-4510, and is a subsidiary of ALC, a Delaware corporation. Allnet was certificated by the Commission to provide competitive intrastate interLATA and intraLATA telecommunications services on July 24, 1986, in Case No. TO-84-223. Frontier is a New York corporation with its principal offices located at 180 South Clinton Avenue, Rochester, New York 14646, and is the parent company of a number of local telephone company subsidiaries and long distance companies. Frontier's long distance subsidiary, Frontier Communications International Inc. (FCI) was certificated by this Commission to provide intrastate interexchange telecommunications services on July 20, 1994, in Case No. TA-94-317.

Frontier and Allnet state in their Joint Application that the purpose of the merger is to effectuate significant economic and marketing efficiencies by establishing Allnet as an indirect wholly-owned subsidiary of Frontier. The proposed transaction is structured as a merger of a new subsidiary of Frontier, created specifically for purposes of consummating the transaction, Frontier Subsidiary One, Inc. (FSO), with and into ALC, with ALC being the surviving corporation. After completion of the transaction, ALC will be a subsidiary of Frontier, and Allnet will remain a subsidiary of ALC. Each share of FSO common stock will thereupon be converted into one share of ALC common stock. Approximately 49 percent of the outstanding shares of Frontier common stock will be held by former shareholders of ALC, and two inside directors and two outside directors of ALC will become members of Frontier's Board of Directors. Following the merger, Frontier may contribute the common stock of ALC to a wholly-owned subsidiary, Frontier Telecommunications Holding Inc. (FTH), or another first-tier wholly-owned subsidiary of Frontier.

In support of the Joint Application, the applicants state that the proposed transaction will simply result in a change in the ultimate corporate parent of Allnet, and as such, the transaction will not cause inconvenience or confusion to Allnet's customers, but will instead be virtually transparent to Allnet's customers in terms of the services they receive. Allnet will continue to provide services pursuant to its tariff currently on file with the Commission, and expects to rely on many of its existing management and operational staff to provide service. Applicants explain that the acquisition of Allnet will allow Frontier to accelerate its plans to expand long distance services on a national and international basis, and that Allnet's customer base and large retail market presence will complement Frontier's business plans. Applicants state that the

proposed transaction will benefit the public interest by invigorating competition, as the enhancement of Allnet's operational flexibility and efficiency, as well as its financial viability, will enable it to strengthen its competitive position and pursue its marketing and business plan more effectively.

Financial information for Allnet and Frontier is attached to the Joint Application in, respectively, Exhibits A and B. Also attached to the Joint Application as Exhibit C is an Agreement And Plan Of Merger dated as of April 9, 1995, among Frontier Corporation, Frontier Subsidiary One, Inc., and ALC Communications Corporation. Applicants state in their application that there should be no impact on the tax revenues of the various political subdivisions in which the equipment, structures, or facilities of Allnet are located, as Allnet has no plans to dispose of any physical assets or change the location of any assets.

On July 10, 1995, the Commission's Staff filed a memorandum recommending approval of the Joint Application. The Joint Application was reviewed by the Staff of the Accounting Department, Financial Analysis Department, and Telecommunications Department. However, the Accounting and Financial Analysis Departments did not file a recommendation. Instead, the Telecommunications Department filed a memorandum stating that it has no objections to the proposed transaction. Staff explains that Frontier, which was formerly known as Rochester Telephone Corporation, is a major telecommunications company, with telephone operations consisting of 36 local telephone companies which serve customers in 13 states, and telecommunications services consisting of a major long distance company, cellular and paging operations, and equipment sales. Since January 1, 1995, Frontier reorganized into a holding company structure. Staff indicates that Allnet, in addition to its certification in the state of

Missouri, is also authorized by the Federal Communications Commission to provide domestic interstate and international telecommunications services in all 50 states and the District of Columbia. In addition, Staff states that Allnet provides long distance telecommunications services primarily to commercial, and, to a lesser extent, residential customers, and completes calls worldwide; operates its own switches; develops and implements its own products; monitors and deploys its transmission facilities; and prepares and designs its own billing and reporting systems. ALC is the holding company of Allnet and other subsidiaries.

Staff notes that Allnet will continue to provide services according to its existing tariff on file with the Commission, and notes applicants' claim that the proposed transaction will not cause inconvenience or confusion to Allnet's customers, and will be virtually transparent to those customers. Staff recommends that the Commission approve the proposed merger at its earliest possible convenience. Staff adds that it is unaware of any other filings which would affect or which would be affected by this merger.

Upon review of the verified Joint Application and attachments thereto, and Staff's recommendation, the Commission finds that the change in the ultimate corporate parent of Allnet will not affect Allnet's ability to provide appropriate telecommunication services to its current Missouri customers. The Commission further finds that the proposed transaction will not cause inconvenience or confusion to Allnet's customers, and will be virtually transparent to those customers, and that Allnet customers will continue to receive the same rates and services from the existing Allnet tariff. In addition, the Commission finds that because of the resources of Frontier, Allnet has a greater likelihood of being able to strengthen its competitive position and take advantage of significant economic and

marketing efficiencies. Thus, the Commission finds that the proposed transaction will not be detrimental to the public interest.

**IT IS THEREFORE ORDERED:**

1. That the acquisition of ALC Communications Corporation by Frontier Corporation pursuant to the Agreement And Plan Of Merger dated as of April 9, 1995, among Frontier Corporation, Frontier Subsidiary One, Inc. and ALC Communications Corporation, attached to the Joint Application as Exhibit C, be and is hereby approved.

2. That the merger of Frontier Subsidiary One, Inc. into ALC Communications Corporation pursuant to the aforesaid Agreement And Plan Of Merger, be and is hereby approved.

3. That Frontier Corporation, Frontier Subsidiary One, Inc., ALC Communications Corporation, and Allnet Communication Services, Inc. be authorized hereby to enter into, execute, and perform in accordance with all other documents reasonably necessary to effectuate the transaction contemplated by the Joint Application and this Order.

4. That Frontier Corporation, Frontier Subsidiary One, Inc., ALC Communications Corporation, and Allnet Communication Services, Inc. be hereby authorized to take any and all other actions necessary to effectuate the transactions contemplated by the Joint Application and this Order.

5. That Allnet Communication Services, Inc. shall file a pleading with the Commission notifying the Commission of the closing date of the acquisition and merger within ten (10) days after the completion of the transaction.

6. That this Order shall become effective on July 31, 1995.

BY THE COMMISSION

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

David L. Rauch  
Executive Secretary

(S E A L)

Mueller, Chm., McClure, Kincheloe,  
Crompton, and Drainer, CC., Concur.