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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 9th
day of September, 1997.

In the Matter of the Application of EXCEL)
Communications, Inc. and Telco)
Communications Group, Inc. for Approval of)
Agreement and Plan of Merger and Related)
Transactions, or, in the Alternative, for a)
Finding of No Commission Jurisdiction, and)
for Expedited Consideration.)

CASE NO. TM-98-5

ORDER APPROVING MERGER

On July 2, 1997, EXCEL Communications, Inc. (EXCEL) and Telco Communications Group, Inc. (Telco) filed an application pursuant to Section 392.300, RSMo 1994, seeking approval of the Missouri Public Service Commission (Commission) for the merger of EXCEL and Telco into two separate subsidiaries of a new holding company, with EXCEL and Telco surviving as wholly-owned subsidiaries of the new holding company. In the alternative, applicants request that the Commission issue an order finding it has no jurisdiction over the proposed merger.

EXCEL is a Delaware holding company, which is the parent company of EXCEL Telephone, Inc. (EXCEL Telephone) which in turn is the parent company of EXCEL Telecommunications, Inc. (EXCEL Telecom). EXCEL Telecom was certificated by the Commission to provide intrastate interexchange services on February 13, 1990, in Case No. TA-90-117, and was certificated to provide basic local and local exchange telecommunications

services on May 27, 1997, in Case No. TA-97-8.¹ Telco Communications Group, Inc. (Telco) is a Virginia corporation, which is the parent company of Telco Holdings, Inc. (Telco Holdings), which in turn is the parent company of both Long Distance Wholesale Club d/b/a Long Distance Wholesale Club, Inc. (LDWC) and Dial & Save of Missouri, Inc. (Dial & Save). LDWC was certificated by the Commission to provide intrastate interexchange telecommunications services on July 3, 1996, in Case No. TA-96-399. Dial & Save was certificated by the Commission to provide intrastate interexchange telecommunications services on June 27, 1995, in Case No. TA-95-298, and was certificated to provide basic local and local exchange telecommunications services on May 27, 1997, in Case No. TA-97-7.²

Applicants state that they have entered into a document captioned "Agreement And Plan Of Merger Dated As Of June 5, 1997 By And Among EXCEL Communications, Inc., New RES, Inc., T-Sub, Inc., E-Sub, Inc. And Telco Communications Group, Inc." (the Agreement). A new holding company, New RES, Inc. (New RES), has been created as a subsidiary of EXCEL, which currently holds the outstanding capital stock of New RES. New RES has two merger subsidiaries, E-Sub, Inc. (E-Sub) and T-Sub, Inc. (T-Sub). EXCEL and Telco will merge with and into E-Sub and T-Sub respectively, with EXCEL and Telco as the surviving entities. As a result, EXCEL and Telco will be subsidiaries of New RES. Shareholders of EXCEL will receive one share of common stock of New RES for each share of EXCEL

¹Although EXCEL Telecom was granted a certificate to provide basic local and local exchange telecommunications service in Case No. TA-97-8, that certificate is not yet effective because no tariffs have yet been filed in that case.

²Although Dial & Save was granted a certificate to provide basic local and local exchange telecommunications service in Case No. TA-97-7, that certificate is not effective because no tariffs have yet been filed in that case.

common stock, while shareholders of Telco will receive 0.7595 shares of common stock of New RES and \$15.00 in cash for each share of Telco common stock. Ultimately, approximately 80% of the common stock of New RES will be held by EXCEL shareholders, while approximately 20% will be held by Telco shareholders. At or prior to the completion of these transactions, the corporate name of the new holding company, New RES, will be changed to "EXCEL Communications, Inc." EXCEL, which currently has the same name, will change its name.

Applicants further explain that neither EXCEL nor Telco hold in their own name any certificates of service authority issued by the Commission. The proposed merger will not effect the corporate existence of the Missouri operating subsidiaries, which will continue to hold the certificates issued to them by the Commission and will continue to operate under their Commission-approved tariffs. Further, under the proposed merger, the Missouri operating subsidiaries will not sell, assign or dispose of any assets or parts of their Missouri franchises, and the merger will have no impact on the tax revenues of any political subdivision in the State of Missouri. New RES, as the "remaining" company in the merger, has no pending or final decisions or judgments against it from the Commission or any other state or federal agency, involving service to customers or rates charged.

In support of their application, applicants state that the proposed merger will serve the public interest by bringing together the operating and management strengths of EXCEL and Telco. Applicants indicate that EXCEL's access to Telco's existing leased network infrastructure will assist the merged company with its plans to enter the local telephone market and ultimately provide a bundled package of local, long distance, and wireless services. The combination of EXCEL's network marketing

organization with Telco's Dial Around marketing platform, each of which targets different segments of the residential market, along with Telco's commercial sales force, will provide the merged company with alternative channels of distribution, a diversified revenue base, and significant synergies in marketing, network performance, and operations, including cost savings relating to information systems development and billing.

In addition, applicants submitted current financial information for EXCEL and Telco as, respectively, Exhibits A and B to the application. Applicants also submitted a copy of the Agreement as exhibit C. Likewise, applicants have submitted pre-merger and post-merger organizational charts as Exhibit D, which are attached to this order as Attachment 1. Further, applicants indicate that the cash consideration to Telco shareholders will be paid by New RES out of a credit facility from an affiliate of Lehman Brothers. Applicants ask that, to the extent necessary, the Commission approve the credit facility needed to complete the merger.

Finally, applicants assert that Section 392.300.1, RSMo 1994 does not apply to this merger transaction, since none of the Missouri operating subsidiaries will be merged or consolidated, nor will any of these companies sell, assign, or dispose of any assets or parts of their Missouri franchises. However, because of the possibility that the Commission might find the proposed transaction to be an "indirect" merger, applicants have nevertheless sought Commission approval for the merger.

The Staff of the Missouri Public Service Commission (Staff) filed a memorandum containing its recommendation on August 28, 1997. Staff indicates that under the merger proposal, EXCEL and Telco will be owned by a new holding company. Staff adds that the corporate status and operational systems of EXCEL Telecom, LDWC, and Dial & Save would not be legally effected by the merger plan. Staff also notes that applicants

claim that 4 CSR 240-2.060(6)(F) does not apply since there is no purchaser in the proposed merger, and that Section 392.300.1 does not apply, since applicants are not selling, assigning, or disposing of any assets or parts of their Missouri franchises. However, Staff is of the opinion that this would be a merger by "indirect" means, so that Commission approval is required. In addition, Staff notes that applicants have included in their application a statement regarding the tax impact of the proposed merger. Staff concludes that applicants have satisfied Commission requirements and legislative requirements, and that no changes are required to the tariffs or certificates of EXCEL Telecom, LDWC, and Dial & Save. Therefore, Staff recommends that the Commission issue an order approving the proposed merger. Staff also recommends that the Commission issue its order by September 5, to allow for a 10-day effective date prior to September 15, the date the merger transaction is scheduled to be consummated.

Upon review of the verified application and Staff's recommendation, the Commission finds that the proposed merger between EXCEL and E-Sub and between Telco and T-Sub, should be approved. Since E-Sub and T-Sub are merger subsidiaries of the newly created holding company, New RES, EXCEL and Telco will both become subsidiaries of New RES. The Commission finds that the ownership of EXCEL Telecom, LDWC, and Dial & Save will change as a result of the merger, since the parent companies of these Missouri-operating subsidiaries will now be owned by the new holding company. The Commission also finds that the proposed merger will not directly effect the operations of the Missouri-operating subsidiaries, as EXCEL Telecom, LDWC, and Dial & Save are expected to continue to hold their own certificates of service authority and continue to provide service to Missouri customers under their existing names and tariffs. Further, the Commission finds that the proposed merger will allow EXCEL and Telco to

realize operational efficiencies, which in turn may lead to improved services and lower rates. Thus, the Commission finds that the proposed merger is not detrimental to the public interest.

The Commission has reviewed the statutory language contained in Section 392.300.1, RSMo 1994, which states as follows:

No telecommunications company shall hereafter sell, assign, lease, transfer, mortgage or otherwise dispose of or encumber the whole or any part of its franchise, facilities or system, necessary or useful in the performance of its duties to the public, nor by any means, direct or indirect, merge or consolidate such line or system, or franchises, or any part thereof, with any other corporation, person, or public utility, without having first secured from the Commission an order authorizing it to do so.

Applicants' request for a finding of no Commission jurisdiction is premised upon the fact that none of the applicants will merge, or sell, assign, or dispose of any assets or portions of their Missouri franchises. However, it is undisputed that the ownership of applicants, which would necessarily include "the whole . . . of its franchise, facilities or system" will effectively be transferred to the new holding company, New RES. Likewise, although none of the Missouri operating subsidiaries are directly involved in the proposed merger, since the parent corporations of these operating subsidiaries are directly involved, the Missouri-operating subsidiaries may be considered to be indirectly merged or consolidated along with their parents, EXCEL and Telco. Under these circumstances, the Commission determines that the inapplicability of Section 392.300, RSMo 1994, has not been clearly demonstrated. The Commission thus declines to find that it has no jurisdiction over the proposed merger of EXCEL and Telco into E-Sub and T-Sub.

The Commission has also considered applicants' request to approve the credit facility needed to complete the merger, and finds that

Commission approval is not necessary pursuant to Section 392.290.2. That section states that "no telecommunications company operating in Missouri and one or more other states shall be required to obtain authorization from the commission to issue stocks, bonds, notes or other evidence of indebtedness" Thus Commission approval is not necessary for the credit facility.

IT IS THEREFORE ORDERED:

1. That the merger of EXCEL Communications, Inc. with and into E-Sub, Inc., a merger subsidiary of New RES, Inc., with EXCEL Communications, Inc. as the surviving corporation, is hereby approved.

2. That the merger of Telco Communications Group, Inc. with an into E-Sub, Inc., a merger subsidiary of New RES, Inc., with Telco Communications Group, Inc. as the surviving corporation, is hereby approved.

3. That EXCEL Communications, Inc., Telco Communications Group, Inc., EXCEL Telecommunications, Inc., Long Distance Wholesale Club d/b/a Long Distance Wholesale Club, Inc., and Dial & Save of Missouri, Inc. are hereby authorized to enter into, execute, and perform in accordance with all necessary documents, and take all other actions, necessary to effectuate the merger transaction contemplated by the document captioned "Agreement And Plan Of Merger Dated As Of June 5, 1997 By And Among EXCEL Communications, Inc., New RES, Inc., T-Sub, Inc., E-Sub, Inc., And Telco Communications Group, Inc."

4. That EXCEL Communications, Inc., Telco Communications Group, Inc., EXCEL Telecommunications, Inc., Long Distance Wholesale Club d/b/a Long Distance Wholesale Club, Inc., and Dial & Save of Missouri, Inc. are hereby directed to file a pleading with the Missouri Public Service

Commission notifying the Commission of the closing date of the merger within 30 days after completion of the transaction.

5. That this order shall become effective on September 19, 1997.

BY THE COMMISSION



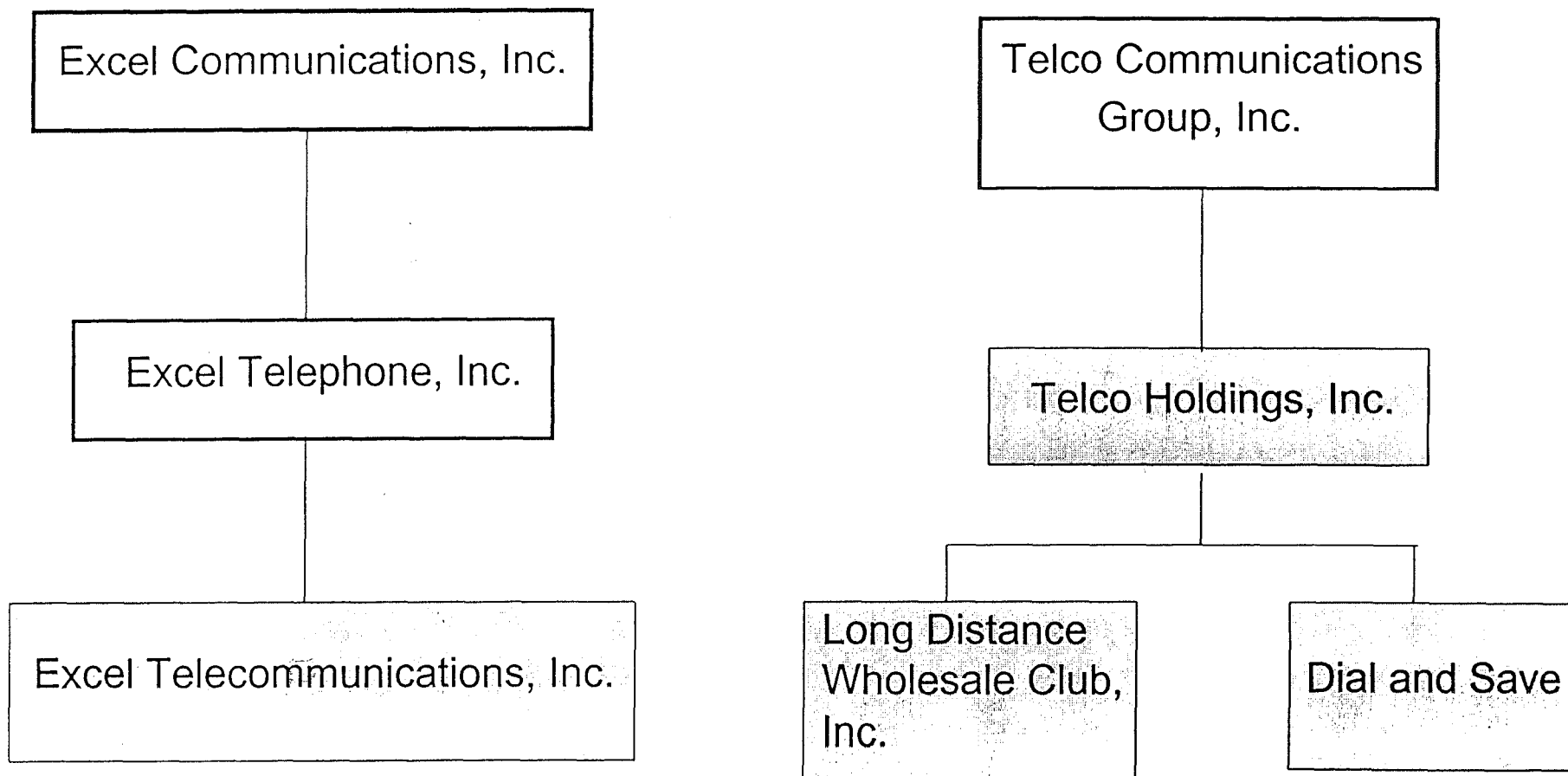
Cecil I. Wright
Executive Secretary

(S E A L)

Lumpe, Chm., Murray, and Drainer,
CC., Concur.
Crumpton, C., Not Participating.

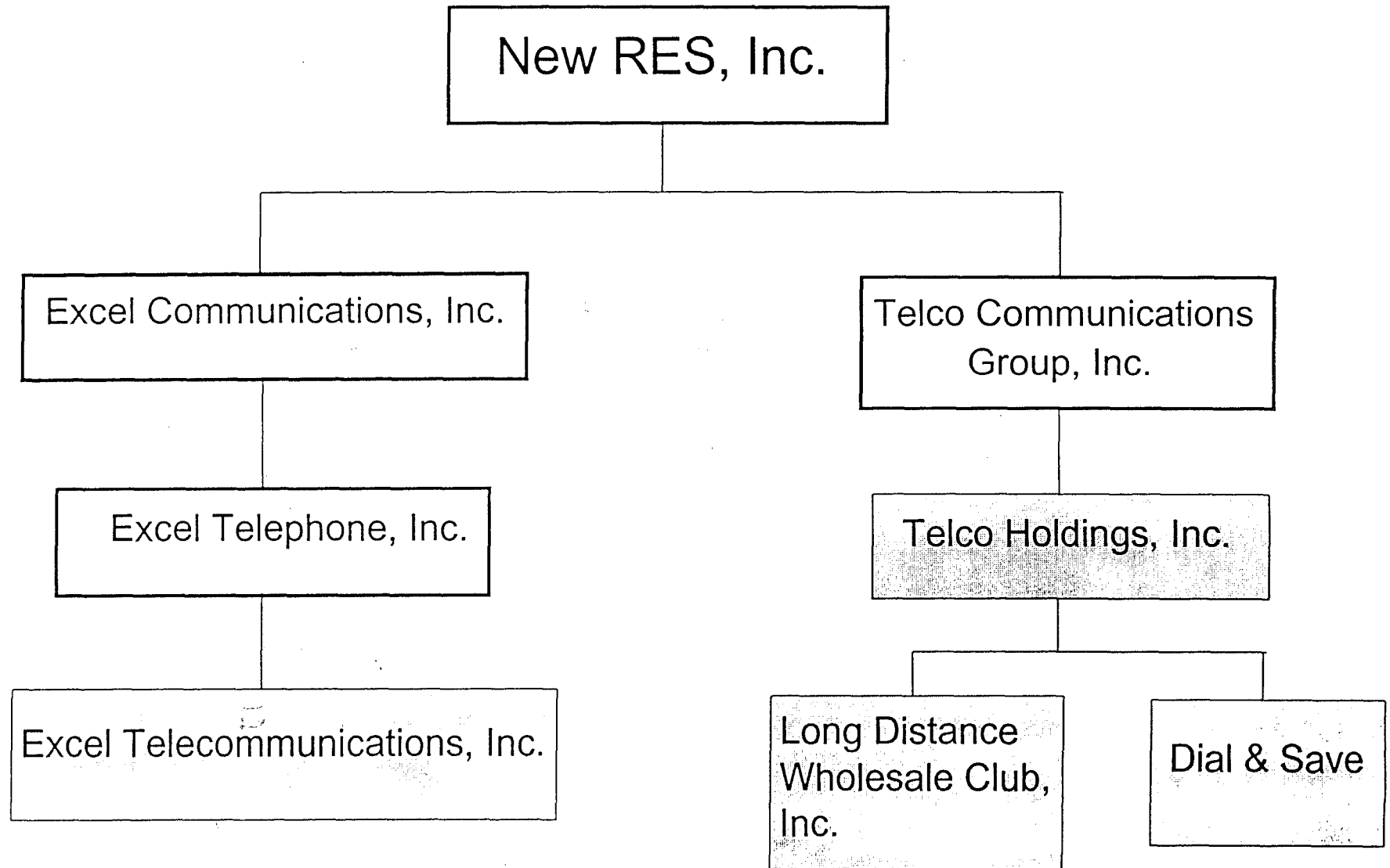
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Pre-Consolidation



* Shaded areas reflect companies holding state certifications and other regulatory authorizations

Post-Combination



* Shaded areas reflect companies holding state certifications and other regulatory authorizations