

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of LCI)
International Telecom Corp for Authority) Case No. 98-369-TP-ATR
to Change Ownership and to Conduct a)
Transaction.)

FINDING AND ORDER

The Commission finds:

- (1) On March 4, 1998, LCI International Telecom Corp. (LCI Telecom) and LCI International Management Services, Inc. (LCI Management) (collectively, the applicants) filed an application requesting the Commission's approval of a change in ownership and transaction involving corporate debt. LCI Telecom is a certificated interexchange and local exchange telecommunication service provider in the State of Ohio. LCI Management provides management services to LCI Telecom. LCI Telecom is also a wholly-owned subsidiary of LCI Management. LCI Management, in turn, is a wholly-owned subsidiary of LCI International, Inc. (LCI International). According to the plan for changing ownership, LCI Telecom and LCI Management will merge. As a result of the merger, LCI Telecom shall survive as a direct, wholly-owned subsidiary of LCI International. The applicants state that the operations and tariff of LCI Telecom will be unaffected and that customers will be able to purchase the same services upon the same rates, terms, and conditions. The purpose of the merger is to eliminate administrative redundancy and improve the companies' overall efficiency.

- (2) In conjunction with the merger, LCI Telecom requests approval to engage in an intercompany transaction whereby LCI Management, or its affiliates, have advanced, or will advance, \$150 million to LCI Telecom for the purchase of network assets. In addition, LCI Management will provide LCI Telecom a line of credit that will allow LCI Telecom to borrow periodically working capital from LCI Management. The loan of \$150 million will be secured by network assets. The line of credit will have a maximum limit of \$400 million. These obligations have already been assigned or will be assigned by LCI Management to an LCI International affiliate before the consummation of the merger. The intent of the financial transaction is to allocate more efficiently the financial resources of

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the LCI companies. By doing so, the companies expect to improve upon LCI Telecom's ability to respond quickly to changing market conditions. The applicants assure, owing to the overall financial strength of the LCI companies, that this particular transaction will have no adverse impact upon LCI Telecom.

- (3) In a June 16, 1998, supplement to the application, the applicants have requested that the Commission waive the requirement of real time notification to customers. Inasmuch as the corporate reorganization will be transparent to customers and that the terms of the tariff shall remain unchanged, the Commission finds that the request for waiver is supported by good cause and should be granted.
- (4) After reviewing the factual statements, supporting exhibits, and affidavit filed in this matter, the Commission concludes that the merger of LCI Telecom and LCI Management does not appear to be unreasonable, improper, or contrary to the public interest. Nor does it appear that the financial transaction between LCI Telecom and LCI Management is unreasonable, improper, or contrary to the public interest. The Commission, therefore, concludes that the application of LCI Telecom and LCI Management should be approved.

It is, therefore,

ORDERED, That, in accordance with Finding (3), the request for waiver of the customer notification requirement is granted. It is, further,

ORDERED, That the merger and financial transaction contemplated by the applicants is approved. It is, further,

ORDERED, That copies of this Finding and Order be served upon the parties, their counsel, and all interested persons of record.

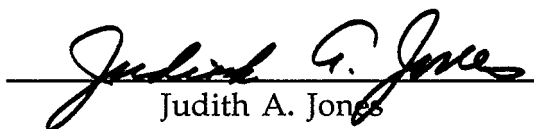
THE PUBLIC UTILITIES COMMISSION OF OHIO

Craig A. Glazer, Chairman

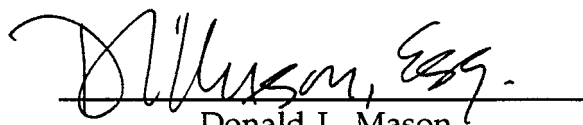
Jolynn Barry Butler



Ronda Hartman Fergus



Judith A. Jones



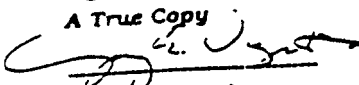
Donald L. Mason

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Gary E. Vigorito
Secretary

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CASE DESCRIPTION LCI INTERNATIONAL TELECOM CORP.
DOCUMENT SIGNED ON July 16, 1998
DATE OF SERVICE 7/17/98

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