

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

APPLICATION OF ALLNET)
COMMUNICATION SERVICES, INC. TO) CASE NO. 9420
ASSUME THE INDEBTEDNESS OF)
LEXITEL CORPORATION)

O R D E R

Pursuant to Section 278.300 of the Kentucky Revised Statutes, Allnet Communications Services, Inc., ("Allnet") by its attorneys, filed an application for approval to assume the debt of Lexitel Corporation ("Lexitel").

Allnet is a licensed resale carrier, authorized by the Federal Communications Commission ("FCC") to provide 24-hour interstate long distance telephone service to all points in the contiguous United States, Hawaii, Alaska, Puerto Rico, the U.S. Virgin Islands, and portions of Canada. Allnet has previously been authorized by the Commission to offer intrastate interLATA telecommunications services within the Commonwealth of Kentucky. Allnet presently serves approximately 300,000 customers and has annualized revenues of approximately \$350 million.

Lexitel is a privately held corporation, incorporated under the laws of the State of Michigan, with its principal offices located at 30300 Telegraph Road, Birmingham, Michigan, 48010. Lexitel is a licensed resale carrier, authorized by the FCC to provide 24-hour interstate long distance telephone service. Lexitel, however, does not offer originating interstate or

intrastate telecommunications services from within the Commonwealth of Kentucky.

Pursuant to an affiliation agreement entered into by and between Allnet and Lexitel on August 26, 1985, the following changes are proposed to take place:

(A) Allnet will become a wholly-owned subsidiary of Alex Corporation ("Alex"), a newly-formed Delaware corporation. This transaction will be effectuated by the acquisition of all outstanding shares of Allnet common stock by Alex.

(B) Thereafter, Alex will acquire all outstanding shares of Lexitel common stock, and Lexitel will be merged with and into Allnet, on terms which, among other things, provide that the separate existence of Lexitel shall cease.

(C) Allnet will acquire all of Lexitel's assets and assume all of its liabilities.

Allnet asserts that the combination of Lexitel and Allnet will result in a combined company with more than \$500 million in annualized revenues. Allnet believes that the combination is in the public interest.

Allnet further states that even with the combination, Allnet will remain a resale telecommunications company that is a fraction of the size of its competitors, including AT&T Communications, and as such, will still be a nondominant carrier lacking monopoly power. Pursuant to the Commission's May 25,

1985, Order in Administrative Case No. 273,¹ nondominant carriers are subject to an abbreviated form of regulation. According to that Commission's Order, any requirement of 807 KAR Chapter 5 not specifically addressed in the Order is waived as a requirement for nondominant carriers. Allnet believes, therefore, that it is not subject to many of the relevant provisions contained in 807 KAR 5:001, including Sections 4(b), 6 and 10, which specify certain filing and hearing requirements. Allnet has, therefore, applied only for approval to assume the debt of Lexitel.

It is the Commission's view that the financial exhibit required by 507 KAR 5:001, Section 6 is not required, but that an application for issuance or assumption of securities or evidence of indebtedness is required by KRS 278.300. It must still be filed, although reduced filing requirements for the application is proper given the decision in Administrative Case No. 273. Furthermore, a hearing is not required in this instance, but the waiver of Section 4 of 807 KAR 5:001 does not prevent Commission from holding one if it is determined to be necessary in other instances.

Wherefore, the Commission, being advised, finds that the assumption of indebtedness should be approved on the condition that the following undertakings are assumed by the parties indicated:

¹ An Inquiry Into Inter- and Intralata Intrastate Competition in Toll and Related Services Markets in Kentucky.

1. Alex will file copies of journal entries which effect the acquisition of all outstanding shares of Allnet common stock.

2. Alex will file copies of journal entries which effect the acquisition of the outstanding shares of Lexitel common stock.

3. Allnet will file copies of journal entries which effect the merger of Lexitel with and into Allnet.

4. Lexitel will file copies of journal entries to close the books of Lexitel.

5. Allnet will file with the Commission the address under which it will operate in the Commonwealth of Kentucky.

6. Allnet will file a copy of the Federal Communications Commission consent evidencing its approval of the transaction.

7. Allnet will continue to have the responsibility of filing future Annual Reports for its Kentucky operations.

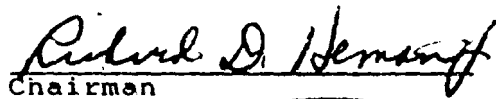
IT IS THEREFORE ORDERED that:

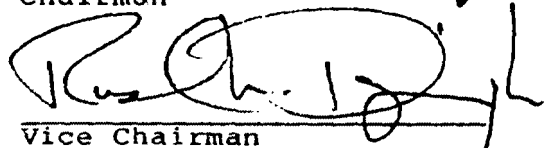
1. The assumption of the indebtedness of Lexitel by Allnet be and it hereby is approved on the conditions indicated.

2. Alex, Allnet, and Lexitel shall respond in writing to each of the conditions set forth in the findings within 30 days of the date of this Order.

Done at Frankfort, Kentucky, this 4th day of December, 1985.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary