COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CHARTER NETWORK)	
COMPANY TO EXECUTE A PROMISSORY)	
NOTE TO LITEL COMMUNICATIONS, INC.) CASE NO.	90-094
IN AN AMOUNT NOT TO EXCEED)	
\$18,750,000)	

ORDER

IT IS ORDERED that Charter Network Company ("Charter") shall file the original and ten copies of the following information with the Commission, with a copy to all parties of record within 10 days of the date of this Order.

- 1. In Item 6 on page 4 of the application, Charter states that the note is for a lawful object within the corporate purpose of Charter, is necessary, appropriate and consistent with the proper performance by Charter of its present and prospective service to the public, will not impair its ability to perform that service and is reasonable and necessary for such purpose. With regard to this paragraph explain:
 - (a) What will the proceeds from this loan be used for?
- (b) Why does Charter, which leases telecommunication capacity or service and has very little property relating to the provision of telecommunications services, need to incur debt of this magnitude?
- (c) Why is this financing necessary for the proper performance of Charter's present and future service to the public?

- 2. The promissory note begins with the words "For Value Received." What value will Charter receive in return for this note?
- 3. If Charter is to receive cash advances in return for this note, has Charter investigated alternative financing arrangements? If no, why not?
- 4. What collateral is Charter providing to secure the note? If none, why not?
- 5. Explain why the note requires daily compounding in the event of default? Is this a normal requirement in financing arrangements? Explain.
- 6. Explain the phrase "This note is to be treated as a negotiable instrument." Does this mean that the note can be sold to another entity?
- 7. On Exhibit 3, explain what comprises the \$18,472,542 entry in other assets.

Done at Frankfort, Kentucky, this 17th day of May, 1990.

PUBLIC SERVICE COMMISSION

For the Commission

ATTEST:

Executive Director