

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF GTE CORPORATION)	
AND CONTEL CORPORATION FOR ORDER)	CASE NO.
AUTHORIZING TRANSFER OF UTILITY CONTROL)	90-278

O R D E R

On September 14, 1990, the Commission received a joint application from GTE Corporation ("GTE") and Contel Corporation ("Contel") for approval of a transaction whereby GTE through a merger will acquire indirect control of Contel's regulated utilities within the Commonwealth of Kentucky. The Commission granted the Attorney General's motion to intervene.

The Commission has sought information from GTE and Contel by Orders dated October 19, 1990 and November 21, 1990. On November 12, 1990, an agreed extension of time was filed for 30 days beyond the 60-day statutory period prescribed in KRS 278.020(5) for the Commission to consider the proposed merger.

PROPOSED TRANSACTION

GTE and Contel executed the Merger Agreement and Plan of Reorganization ("Merger Agreement") attached to the application as Exhibit C on August 7, 1990. The Merger Agreement provides for GTE Exchange Corporation, created to effectuate the merger, to merge into Contel. GTE Exchange Corporation will be the surviving corporation. All shares of Contel common stock will be cancelled

and converted into the right to receive 1.27 shares of GTE common stock. Contel will thus become a wholly owned subsidiary of GTE. The accounting entries required to record such a transaction will simply combine the existing balance sheets of GTE and Contel with no reevaluation of assets or liabilities and no recording of goodwill. The merger will be a tax-free exchange of common stock accounted for as a "pooling of interests" reorganization under the Internal Revenue Codes. There will be no direct income tax impact from the merger.

At the completion of the merger GTE will have acquired indirect control of the regulated subsidiaries of Contel. Contel's regulated subsidiaries that provide service in the Commonwealth of Kentucky are Contel of Kentucky, Inc.; Contel Cellular, Inc.; Evansville MSA Limited Partnership; Central Kentucky Cellular Telephone Company; and Cumberland Cellular Telephone Company, Inc. Prior to consummation of the merger GTE will divest its 42 percent interest in Lexington MSA Limited Partnership, the cellular wireline licensee.

GTE has the financial, technical, and managerial abilities to provide reasonable service after it acquires Contel. The local exchange operations of Contel are in close proximity and in many instances adjacent to GTE's local exchange operations. Their operations complement each others, potentially resulting in better service to the public. The merger should also create operational improvements by the united management skills at the corporate level. The merger should enhance GTE's financial resources and

increase Contel Corporation's access to capital. The proposed transaction is to be transparent to Kentucky ratepayers because it occurs at the corporate level. There is currently no plan to change the service offerings, customers, or rates and tariffs of the regulated subsidiaries of Contel. Also, it is anticipated that the present management of the regulated subsidiaries in Kentucky will continue after the merger.

APPLICABLE LAW

Pursuant to KRS 278.020(4), persons under the jurisdiction of the Commission must receive Commission approval prior to the acquisition or transfer of ownership or control of a utility. Pursuant to KRS 278.020(5), no individual shall acquire control either directly or indirectly of any utility furnishing utility service in this state without having first obtained approval of the Commission.

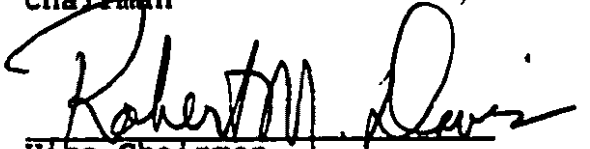
Having considered the proposed transaction, the Commission HEREBY ORDERS that:

1. The proposed merger of GTE and Contel is approved.
2. Every three months beginning three months from the date of this Order, GTE shall file reports concerning the status of the merger including the Federal Communications Commission proceeding. This requirement shall cease upon either the completion of, or the abandonment of, the proposed merger.
3. GTE shall notify this Commission and seek further approval prior to any merger of the Kentucky operations of GTE South Incorporated and Contel of Kentucky, Inc.

Done at Frankfort, Kentucky, this 13th day of December, 1990.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 90-398 DATED 12/13/90
AGREEMENT

THIS AGREEMENT, made and entered into at Louisville, Kentucky, this _____ day of _____, 1990, by and between GLEN HILL MANOR SANITATION, INC., 1418 Bluegrass Avenue, Louisville, Kentucky 40215 (hereinafter referred to as "Owner"), and the LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT, a public body corporate and political subdivision organized pursuant to Chapter 76 of the Kentucky Revised Statutes (hereinafter referred to as "MSD");

W I T N E S S E T H

WHEREAS, Owner and MSD have negotiated terms of an Agreement whereby MSD will assume operation of the Glen Hill Manor Wastewater Treatment Plant located at the southern terminus of Grafton Hall Road in Jefferson County, Kentucky, and will serve the present customers of said Plant and will connect the present customers to MSD's comprehensive collection and treatment system when said system becomes available; and

NOW THEREFORE, in consideration of the foregoing premises and in consideration of the mutual undertakings and obligations hereinafter set forth, the parties hereto agree as follows:

1. Owner agrees, pursuant to the Deeds and Bill of Sale attached hereto and marked Exhibits A and B, to transfer and sell to MSD the real property and facilities described therein and associated with the Glen Hill Manor Wastewater Treatment Facility, including the easements, rights-of-way, licenses, privileges, improvements and appurtenances (including sewer mains, lines, manholes, pumping stations, etc., located in public ways or in dedicated public easements) necessary to the operation of the Glen Hill Manor Wastewater Treatment Facility and its attendant system, for a total agreed upon consideration of NINETY THOUSAND DOLLARS AND NO CENTS (\$90,000.00), being the

agreed upon value of said facilities as of January 10, 1990, the date said facilities were inspected by MSD personnel.

2. MSD and the Owner agree that formal closing of this transaction by execution of Exhibits A and B, and the payment by MSD of the consideration described in Section 1 hereinabove, shall be deferred until MSD obtains the funds for said payment through the sale of revenue bonds, by other borrowing, or by any other means available to MSD; however, if formal closing does not occur within one year from the date of this Agreement, this Agreement shall become null and void and Owner and MSD shall have no further obligations under this Agreement unless the initial one-year term of this Agreement is extended by written amendment hereto executed by both parties.

3. MSD agrees to pursue all available options in order to obtain the funds for the aforesaid payment within the initial one-year term of this Agreement and to hold formal closing as soon as possible thereafter; however, MSD does not expect to obtain said funds prior to April 1, 1991.

4. Owner agrees to operate the Glen Hill Manor Wastewater Treatment Facility and to maintain all equipment, buildings and appurtenances at Owner's expense during the interim before formal closing occurs, at which time said Facility must be in as good a condition or better condition than existed on the original MSD inspection date of January 10, 1990. To assure compliance with this provision, Owner agrees to allow MSD personnel access to said Facility to determine if there are any deficiencies, prior to formal closing, which did not exist at the time of MSD's original inspection date. Should any such deficiencies be found by MSD, Owner shall be notified of the specific deficiencies and shall have thirty days before closing in which to correct the deficiencies to MSD's satisfaction. If said deficiencies are not corrected by the Owner within the thirty-day period, closing shall be held, but the amount of cost estimated by MSD to correct the uncorrected deficiencies shall be withheld

from the payment amount described in Section 1 above and be held in escrow by MSD and be used to pay for correcting said uncorrected deficiencies, provided, however, any escrow balance remaining after said deficiencies are corrected by MSD shall be paid to Owner.

5. Owner agrees to transfer the property described in Exhibits A and B free and clear of all encumbrances, except for easements, restrictions, and rights-of-way of record at the office of the clerk of the Jefferson County Court, and free of all hazardous or toxic materials or substances.

6. Owner shall be responsible for and shall pay all claims, obligations or liabilities in existence prior to the date of execution of Exhibits A and B or arising out of events occurring prior to the date of execution of Exhibits A and B, including, but not limited to, any and all taxes assessed or payable, liens, operating debt and expenses, and claims for personal injury or property damage. Real estate taxes shall be prorated as of the date of the closing. The Owner shall defend and indemnify or shall hold MSD harmless from any claims, obligations, or liabilities which arise out of any event, incident, or liability involving injury or damage to the person or property of others occurring prior to the date of execution of Exhibits A and B, including reimbursement of MSD for any attorney fees, court costs, or other expenses incurred by MSD in defense of such claims, obligations, or liabilities; and the Owner warrants that no litigation is known by Owner to be contemplated or pending with reference to any matters relating to the wastewater treatment facility and its attendant collector system.

7. MSD agrees to indemnify, defend, and hold Owner harmless from any claims, obligations, or liabilities arising from events, incidents, or liabilities occurring after the date of execution of Exhibits A and B, hereto, which claims, obligations, or liabilities are related to MSD's ownership and operation of the wastewater treatment facility and its attendant collector

system. Before MSD shall have any liability under this indemnity paragraph, it must receive prompt and reasonable written notice of any claim, obligation, or liability for which the Owner seeks indemnity as soon as Owner receives notice of the claim, obligation, or liability, and MSD must have an opportunity to defend any such claim, obligation or liability.

8. When MSD determines its comprehensive collection and treatment system is available, MSD will install, at MSD's expense, a connection to divert the wastewater away from the Glen Hill Manor Wastewater Treatment Facility and into MSD's sewer system. After said connection, MSD shall then demolish the treatment plant above-grade structures and holding tanks and restore the site to rough grade and deed the plant property back to the Owner for the sum of ONE DOLLAR AND NO CENTS (\$1.00), with MSD retaining any easements or rights-of-way it deems necessary for its operations. MSD agrees to remove any hazardous or toxic materials or substances deposited by MSD on the property described in Exhibits A and B.

9. Effective with the first full Louisville Water Company meter-reading period following the day Exhibits A and B are executed, MSD shall charge all customers of the Glen Hill Manor Wastewater Treatment Facility in accordance with its regular schedule of rates, rentals and charges for wastewater service. After execution of Exhibits A and B, MSD shall receive all billing collections and shall pay Owner all collections of billings rendered prior to the aforesaid initial MSD billings.

10. In conjunction with the acquisition by MSD, Owner shall tender to MSD on the date of execution of Exhibits A and B any and all deposits, security deposits, developer deposits, or other funds held by Owner for the benefit of or future use by or credit to customers of the Glen Hill Manor Wastewater Treatment Plant, together with any records or documents related to said funds. MSD shall hold said funds under the same terms for the benefit, use, or credit of the

customers. Owner further agrees to tender to MSD one set of keys to the facilities, all records, documents, files, billing lists, customer lists, etc. related to the operation of the Glen Hill Manor Wastewater Treatment Facility on the date of execution of Exhibits A and B. MSD shall takeover operation, possession and responsibility for the Glen Hill Manor Sewage Treatment Plant and facilities at 12:00 midnight following the execution of Exhibits A and B.

11. Owner declares there are no written or oral contracts or other obligations to be assumed by MSD. MSD shall not honor or be responsible for any agreements entered into by Owner, but not identified herein and made a part of this Agreement. Owner agrees that, during the term of this Agreement, Owner shall not enter into additional agreements with respect to services to be provided by or use of the Glen Hill Manor Wastewater Treatment Facility without the written consent of MSD. The intent of this provision is not for MSD to unnecessarily withhold consent of agreements for additional use of the Glen Hill Manor Wastewater Treatment Facility, but to assess the impacts of such agreements entered into during the term of this Agreement with respect to the agreed consideration described in Section 1 above. Except with respect to the reserve capacity as set out in numerical paragraph 12 below, Owner agrees that MSD shall withhold from its payment to Owner at formal closing \$2.56 for each gallon-per-day of design capacity utilized or to be utilized by agreement with the Owner entered into during the term of this Agreement, with MSD determining said usage of design capacity by use of standard criteria for the design of wastewater treatment facilities.

12. MSD agrees to reserve for Owner 44,144 gallons per day of wastewater treatment capacity, but not in excess of the unused design capacity available as of the date of formal closing, to be used for all or part of the following properties to be connected at Owner's cost to the Glen Hill Manor Wastewater

Treatment Facility, and with the waiver of MSD's Connection Fees and Capacity Charges:

Lots 45A and 39A of Section 2 of Glen Hill Manor Subdivision; and,
Lots 68 and 79 through 85 of Section 3 of Glen Hill Manor Subdivision

When the properties hereinabove described are developed and the individual connections approved by the Louisville and Jefferson County Department of Health for hook-up to the Glen Hill Manor sewerage system are installed, MSD will determine, based on MSD's design criteria, the gallons per day of wastewater treatment capacity to be assigned each connection and shall deduct same from the gallons per day reserved for the OWNER to determine the balance of unused reserved capacity.

Owner agrees this provision shall expire ten years from the date of execution of this Agreement, and any unused reserved capacity as of that date cannot be later used without payment of MSD's regular fees for connections.

13. This Agreement shall be binding upon, and shall inure to the benefit of the executors, heirs, successors and assigns of the parties hereto.

14. This Agreement embodies the whole agreement of the Parties. There are no promises, terms, conditions or obligations other than those contained herein; and this Agreement shall supersede all previous communications, representations or agreements, either verbal or written, among the parties.

15. If any section, clause or provision of this Agreement shall be held invalid, such holding of invalidity shall not effect the validity of any remaining section, clause, paragraph, portion or provision of this Agreement.

16. No part of this Agreement may be altered, modified, or changed in any way except in writing signed by the parties hereto or signed by the duly authorized representative of said parties.

17. The Parties hereto agree that the terms and conditions of the Agreement shall survive and remain in effect after the transfer of the real estate and property of the Glen Hill Manor Wastewater Treatment Facility and the execution of Exhibits A and B.

IN TESTIMONY WHEREOF, witness the signatures of the Parties hereto where appropriate by their proper officers and duly authorized by resolution of their respective governing bodies, the day, month and year first above written.

LOUISVILLE AND JEFFERSON COUNTY
METROPOLITAN SEWER DISTRICT

BY: GORDON R. GARNER

AS: EXECUTIVE DIRECTOR

STATE OF KENTUCKY)
) SS
COUNTY OF JEFFERSON)

I, the undersigned Notary Public, within and for the state and county aforesaid do hereby certify that the foregoing instrument was this day presented to me by Gordon R. Garner, who being by me first duly sworn, did acknowledge and declare that he signed the foregoing instrument as Executive Director of the Louisville and Jefferson County Metropolitan Sewer District, by authority and direction of its Board of Directors, as his free and authorized act and deed.

Witness my hand this _____ day of _____, 1990.

My commission expires: _____.

NOTARY PUBLIC

GLEN HILL MANOR SANITATION, INC.

BY: _____

AS: _____

STATE OF KENTUCKY)
) SS
COUNTY OF JEFFERSON)

I, the undersigned Notary Public, within and for the state and county aforesaid do hereby certify that the foregoing instrument was this day presented to me by _____, who being by me first duly sworn, did acknowledge and declare that he signed the foregoing instrument as _____ of GLEN HILL MANOR SANITATION, INC., by authority and direction of its Board of Directors, as his free and authorized act and deed.

Witness my hand this _____ day of _____, 1990.

My commission expires: _____.

NOTARY PUBLIC

DEED

THIS DEED made and entered into this ____ day of _____, 19____, by and between GLEN HILL MANOR SANITATION, INC., 1418 Bluegrass Avenue, Louisville, Kentucky 40215 (hereinafter referred to as "GRANTOR"), and the LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT, a public body corporate and political subdivision, 400 South Sixth Street, Louisville, Kentucky 40202 (hereinafter referred to as "GRANTEE"),

WITNESSETH:

For good and valuable consideration, including the payment of NINETY THOUSAND DOLLARS AND NO CENTS (\$90,000.00), the receipt of which is hereby acknowledged, the GRANTOR hereby conveys to GRANTEE, in fee simple with covenant of general warranty, the hereinafter described property, and further covenants that it is lawfully seized of all the property and estates hereby conveyed, having full right to dispose of same, and that same is free of all encumbrances, excepting easements, rights-of-way and restrictions of record in the office of the Clerk of Jefferson County, Kentucky, and applicable zoning rules and regulations, and, to the best of GRANTOR's knowledge, is free of all hazardous or toxic materials or substances, and the lien of all unpaid ad valorem real estate taxes that are not yet due and payable.

The property herein is described as follows:

(Property description to be added)

This conveyance also includes all of the right, title and interest of the GRANTOR in and to all improvements located on the above described property, together with all of the right, title and interest of GRANTOR in and to the Glen Hill Manor Sewerage System, including the sewage treatment plant, all buildings, easements, rights-of-way, licenses, privileges and all sewers, sewer lines, mains, manholes and other appurtenances and connections connected to the sewage system and the sewage treatment plant located on the above described property, and any other interest existing in favor of GRANTOR for the passage or placement of the sewerage system and its appurtenances.

GRANTOR and GRANTEE hereby certify that the consideration reflected in this Deed is the full consideration paid for this property.

IN TESTIMONY WHEREOF, witness the signatures of the GRANTOR and GRANTEE by its duly authorized officers, the day, month and year first above written.

LOUISVILLE AND JEFFERSON COUNTY
METROPOLITAN SEWER DISTRICT

GLEN HILL MANOR SANITATION, INC.

By: _____
Gordon R. Garner
Executive Director

By: _____
As: _____

COMMONWEALTH OF KENTUCKY)
)SS
COUNTY OF JEFFERSON)

I, the undersigned Notary Public, in and for the Commonwealth and County aforesaid do hereby certify that the foregoing instrument was this day presented to me by _____, who being by me first duly sworn, did acknowledge and declare that he signed the foregoing instrument as _____ of GLEN HILL MANOR SANITATION, INC., by authority and direction of its governing body as his free and authorized act and deed.

Witness my hand this _____ day of _____, 19____.

My Commission expires: _____.

NOTARY PUBLIC

COMMONWEALTH OF KENTUCKY)
)SS
COUNTY OF JEFFERSON)

I, the undersigned Notary Public, in and for the Commonwealth and County aforesaid do hereby certify that the foregoing instrument was this day presented to me by Gordon R. Garner, who being by me first duly sworn, did acknowledge and declare that he signed the foregoing instrument as Executive Director of the LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT, by authority and direction of its governing body as his free and authorized act and deed.

Witness my hand this _____ day of _____, 19____.

My Commission expires: _____.

NOTARY PUBLIC

This Instrument Prepared by:

Sheila Wachsman
Attorney at Law
400 South Sixth Street
Louisville, Kentucky 40202

BILL OF SALE

THIS BILL OF SALE, made and entered into this ____ day of _____, 19____, by and between GLEN HILL MANOR SANITATION, INC. ("GRANTOR"), and the LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT, a public body corporate and political subdivision, 400 South Sixth Street, Louisville, Kentucky ("GRANTEE"),

WITNESSETH:

That for a valuable consideration, the receipt of which is hereby acknowledged, GRANTOR does hereby grant, bargain, sell, transfer and deliver unto the GRANTEE, all its right, title and interest in and to all of the buildings, fixtures and equipment used in connection with the operation and maintenance of the wastewater treatment plant located on the property described in a deed recorded in Deed Book _____, Page _____, in the office of the Clerk of Jefferson County, Kentucky, including, but not limited to, its improvements, sewers, manholes, fixtures, equipment, supplies, pumps, pumping stations, lines, appurtenances, and other personal property located at, connected to, a part of, or necessary to the ordinary operation of the Glen Hill Manor Wastewater Treatment Plant and its related wastewater collection system.

The GRANTOR covenants and agrees that it is the lawful owner of all the items herein conveyed, that it is free and clear of all encumbrances, that it has full right and power to sell and convey same, and that it will warrant and defend the title hereby conveyed against all claims and demands against same. With the exception of the aforesaid warranty of title, the sale of all equipment described herein shall be "as is, where is" and without further warranties whatsoever, whether expressed or implied.

