

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LDDS COMMUNICATIONS,) )  
INC. FOR APPROVAL OF INCURRING DEBT) ) CASE NO. 92-348  
OBLIGATIONS ) )

O R D E R

On August 20, 1992, LDDS Communications, Inc. ("LDDS") filed a verified application, pursuant to KRS 278.300, requesting Commission approval to enter into two separate transactions whereby LDDS would incur certain debt obligations. On August 28, 1992, LDDS filed a supplement to the verified application which changed certain financing amounts set forth in the original application. These changes did not materially impact the substance of the Note Agreement and the Facility Agreement filed as a part of the original application.

LDDS, a Tennessee corporation, is a holding company which does not itself provide telecommunications service. However, two of its wholly-owned subsidiaries have previously been authorized to provide intrastate telecommunication services in Kentucky. LDDS is also in the process of acquiring three additional telecommunications companies currently authorized to provide intrastate telecommunications service in Kentucky.

In its application and supplement, LDDS seeks Commission approval of its participation, as well as the participation of each of its authorized operating subsidiaries, in a private placement of senior notes in the amount of \$123,000,000 and in the execution of

a credit facility in the maximum amount of \$427,000,000. Neither LDDS nor any of its subsidiaries will be required to pledge or otherwise assign any of their stock, property, accounts or other assets as collateral and hence no liens will be created on such assets, tangible or intangible. Rather, the subsidiaries of LDDS will execute a guaranty of the respective financing arrangements. This guaranty spells out the rights and duties of the subsidiaries as well as those of the debtors under the financing arrangements including those activated in the event of default. According to the application, the proceeds from the financings will be used for the acquisition of telecommunications resale operations, working capital, other capital expenditures, and the refinancing of existing obligations.

The subsidiaries of LDDS provide intrastate telecommunications services in Kentucky pursuant to previous Commission authorization. The market segment in which these subsidiaries operate is highly competitive, at least from the standpoint of the number of suppliers of alternative and substitutable services. The characteristics of this market segment make it highly unlikely that the failure of one or more of LDDS's subsidiaries operating in Kentucky due to obligations imposed on those companies by this or any other financial arrangement would significantly disadvantage any of its customers for any period of time. This is because there are a significant number of other providers able to provide comparable service, almost immediately. The financial consequences

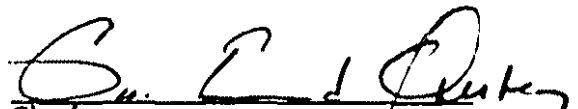
of default or bankruptcy as a result of excess financing would accrue to the shareholders of LDDS and not the public in general.

Because the proposed financing arrangements are necessary and appropriate, are consistent with the performance of LDDS and its subsidiaries of their service to the public, will not impair the ability of LDDS or its subsidiaries to perform such services, are for a lawful object within the corporate purpose of LDDS and are reasonably appropriate and necessary for the purpose of LDDS, the Commission HEREBY ORDERS that the financing arrangements and supporting documents described in the application and supplemental application submitted by LDDS on August 20, 1992 and August 28, 1992, respectively, shall be approved.

Nothing contained herein shall be interpreted as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities or agreements approved herein.

Done at Frankfort, Kentucky, this 21st day of September, 1992.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

  
Executive Director