

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF UNIDIAL INCORPORATED FOR)
AUTHORITY TO ENTER INTO CERTAIN) CASE NO.
FINANCING TRANSACTIONS PURSUANT TO) 94-243
KRS 278.300)

ORDER

On June 21, 1994, UniDial Incorporated ("UniDial") applied for approval of certain financing transactions between it and WilTel, Inc. ("WilTel"). UniDial, a privately held corporation, was authorized to provide interexchange telecommunications services in Kentucky as a reseller in Case No. 93-328.¹ WilTel is a major supplier of UniDial's telecommunications services.

TRANSACTION

UniDial and WilTel have entered a Telecommunications Service Agreement ("TSA") and Payment Agreement whereby WilTel will supply switched telecommunications services and other associated services for monetary and other financial considerations. To satisfy a portion of its obligation to WilTel, the Payment Agreement provides for UniDial to issue 8 percent Convertible Senior Debentures in increments of \$10,000 per debenture. The debentures are due on December 1, 2005. As outlined in the Payment Agreement, WilTel may

¹ Case No. 93-328, Application of UniDial Incorporated for a Certificate of Public Convenience and Necessity to Operate as an Interexchange Telecommunications Reseller Within the Commonwealth of Kentucky.

redeem the debentures for UniDial common stock at a rate of two Senior Debentures for each share of UniDial common stock.

DISCUSSION

UniDial is considered a non-dominant carrier for purposes of regulatory oversight by the Commission. The services provided by UniDial are generic and available through a large number of competing providers. Should UniDial be forced to discontinue service for any reason, including poor financial planning, UniDial's Kentucky subscribers will find other telecommunication service providers available. The public interest will not be harmed if UniDial ceases operations.

Therefore, the Commission finds that UniDial's execution of the TSA and the Payment Agreement as described in its application is for a lawful object within its corporate purpose, is necessary and consistent with proper performance of its service to the public, will not impair its ability to perform that service, is reasonably necessary and appropriate for such purposes, is consistent with the requirements of KRS 278.300, and should be approved.

In the event that Wiltel's exercise of its option to redeem its Senior Debentures for UniDial common stock results in a change in the ownership and control of UniDial, Commission approval pursuant to KRS 278.020 will be required.

The Commission being sufficiently advised,

IT IS ORDERED that:

1. The Payment Agreement between UniDial and WilTel, as described in this application, is approved.

2. Approval of the application does not imply any guarantee of the securities or evidences of indebtedness by the state, or any obligation on the part of the state with respect thereto.

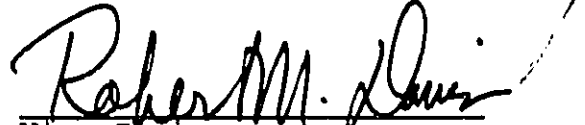
3. UniDial and WilTel shall seek approval of any transfer of ownership or control resulting from the redemption of Senior Debentures by WilTel for UniDial common stock.

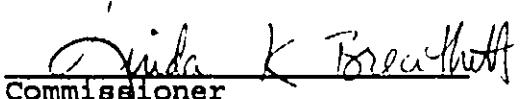
4. UniDial shall notify the Commission within 10 days of the execution of the Payment Agreement or in the alternative shall notify the Commission if the agreement does not occur.

Done at Frankfort, Kentucky, this 5th day of August, 1994.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director