

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| THE APPLICATION OF GENERAL TELEPHONE) | |
| COMPANY OF THE SOUTH FOR AN ORDER) | CASE NO. |
| AUTHORIZING THE ISSUANCE AND SALE) | 9713 |
| OF SECURITIES) | |

O R D E R

On October 14, 1986, General Telephone Company of the South ("General") filed an application seeking authority to issue and sell 800,000 shares of its common stock to GTE Corporation for \$20,000,000 in cash, prior to December 31, 1986. The proceeds from the sale of the common stock would be used to repay short-term obligations.

The Commission, after considering the application and all evidence of record and being advised, is of the opinion and finds that General's proposed issuance and sale of 800,000 shares of its common stock to GTE Corporation is for lawful objects within the corporate purposes of its utility operations, is necessary and appropriate for and consistent with the proper performance of its service to the public and will not impair its ability to perform that service and is reasonably necessary and appropriate for such purposes.

IT IS THEREFORE ORDERED that:

1. General be and it is hereby authorized to issue and sell 800,000 shares of its common stock to GTE Corporation for

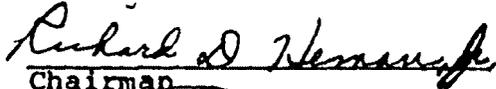
\$20,000,000 in cash, prior to December 31, 1986, as set out in the application.

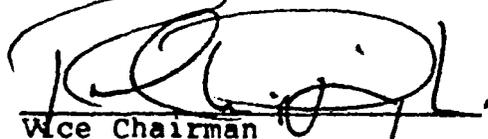
2. The proceeds from the sale of the securities authorized herein shall be used only for the lawful purposes as set out in the application.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty by the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 27th day of October, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director