

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 26th
day of July, 1996.

In the Matter of the Consolidated Application)
of TTI National, Inc. for a Certificate of)
Authority to Provide Competitive Intrastate)
Telecommunications Services Within the State) CASE NO. TA-96-423
of Missouri, and for Authority and Approval to)
Transfer Assets From Target Telecom, Inc. to)
TTI National, Inc.)

ORDER APPROVING SALE OF ASSETS

On June 6, 1997, TTI National, Inc. (TTI) filed a consolidated application seeking a certificate of service authority to provide intrastate interexchange telecommunications services in Missouri,¹ and seeking Commission authorization for the consummation of an Asset Purchase Agreement involving a transfer of assets from Target Telecom, Inc. (Target) to TTI. Selected assets of Target will be transferred to TTI, including the following: (a) customer accounts, including all subscription agreements, contracts, arrangements, and other understandings between Target and its customers; (b) all lists relating to the assets or the business including lists of existing, potential or prior customers and existing, potential or prior vendors; (c) accounts receivable; and (d) all books, records, files, promotional materials and other documents relating to the business.

Target is a privately-held New Jersey corporation with its principal place of business located at 158 Willowbrook Boulevard, Wayne, New Jersey 07470. Target was certificated by the Commission to provide intrastate interexchange telecommunications services on January 3, 1995,

¹TTI's request for a certificate of service authority was granted in a separate commission order issued on July 17, 1996.

in Case No. TA-95-114. TTI is a wholly-owned subsidiary of WorldCom, Inc. d/b/a LDDS WorldCom (WorldCom), formed for the specific purpose of facilitating the acquisition of Target's assets by WorldCom. WorldCom is a publicly-held Georgia corporation with its principal office located at 515 East Amite Street, Jackson, Mississippi 39201, and provides telecommunications services directly and indirectly through its subsidiaries in 48 states.

Target, TTI and WorldCom state in their application that the purpose of the asset purchase is to enable WorldCom to continue to expand operations, thereby offering new and improved services to customers in Missouri. Applicants state that the transaction will ultimately enable WorldCom and TTI to better serve existing and future customers, and enhance competition in the telecommunications market in Missouri. In addition, Applicants state that since TTI is a wholly-owned subsidiary of WorldCom, TTI will have access to the technical, managerial and financial resources of WorldCom, which is currently the nation's fourth largest interexchange company.

Further, Applicants explain that TTI's tariff substantially duplicates the service offerings, rates, terms and conditions currently offered by Target, such that subsequent to the closing of the Asset Purchase Agreement, Target's former customers will be able to purchase from TTI the same services under the same rates, terms, and conditions that they currently purchase from Target. Thus, Applicants point out that from the prospective of affected customers, the transfer will be largely transparent. In addition, Applicants state that the Asset Purchase Agreement is expected to have no impact on the revenues of any political subdivisions of the state, and that appropriate and timely notice of the transaction will be sent to all of Target's customers.

The Staff of the Missouri Public Service Commission (Staff) filed a memorandum containing its recommendation on July 10, 1996. Staff

details the background of Target, WorldCom and TTI, along with the particulars of the proposed transaction. Staff states that since the proposed tariff of TTI duplicates the services, rates, terms and conditions of Target's existing tariff, Target's existing customers will receive the same service and rates from TTI upon transferal to TTI's tariff. Staff also states that TTI will honor all of Target's existing customer contracts for the duration of the contract periods, and that all of Target's customers will be notified of the proposed transaction in a timely fashion. Further, Staff states that it has reviewed the application for the sale of assets, and recommends that the Commission approve the proposed transaction.

However, Staff submits that the Commission should direct Target to transfer its customer base into TTI within 90 days of the effective date of the Commission's order, instead of allowing Target to surrender its certificate after its operations have been fully incorporated into TTI, with no time limit or completion date, as requested in the application. Staff believes that canceling Target's certificate of service authority and tariff after 90 days, as opposed to allowing Target to surrender its certificate when the transaction is complete, is a more practical and efficient means for the Commission to manage the proposed transaction. Staff therefore recommends that the Commission's order direct TTI to have all of Target's customers transferred to TTI's tariff within 90 days of the effective date of the Commission's order, and cancel Target's tariff and certificate of service authority exactly 90 days after the effective date of the Commission's order. Staff notes that the Commission included similar provisions in Case No. TM-96-191, *Re the application for approval of transfer of assets from Teledial America, Inc. d/b/a U.S. Signal to LCI International Telecom Corp. and related transactions.*

Upon review of the verified application and attachments thereto, and Staff's recommendation, the Commission finds that the proposed

transaction is not detrimental to the public interest. The Commission notes that as a wholly-owned subsidiary of WorldCom, TTI will be in a position to access the technical, managerial and financial resources of WorldCom, and the acquisition of Target's assets by TTI will enable WorldCom, to expand its operations and increase its economies of scale. The Commission also finds that TTI will essentially duplicate the services and rates previously provided by Target. In addition, the Commission notes that all of the entities involved in this transaction are competitive companies providing intrastate interexchange telecommunications services. The Commission is of the opinion that the market for such service is sufficiently competitive such that a customer who is dissatisfied with the service or rates of TTI can easily switch to another provider.

In addition, the Commission finds that the proposed transaction should be completed promptly and Target's former customers transferred to TTI's tariff within a reasonable time. The Commission agrees with Staff that 90 days is a reasonable period of time in which to transfer Target's customer base into TTI. The assets and operations of Target should be fully incorporated into TTI within 90 days of the effective date of this order. Target's certificate of service authority and tariffs should be canceled exactly 90 days after the effective date of this order. The Commission finds that Staff's recommended time constraints are warranted, and the Commission will adopt Staff's recommendation. However, the application does not indicate the anticipated closing date for the proposed transaction. In the event the closing of the asset sale is scheduled for a date outside the recommended 90-day period, Applicants should petition the Commission for an extension of time in which to complete the transaction.

IT IS THEREFORE ORDERED:

1. That the application seeking authority for TTI National, Inc. to acquire selected assets of Target Telecom, Inc. pursuant to an

Asset Purchase Agreement signed by Target Telecom, Inc. and WorldCom, Inc. d/b/a LDDS WorldCom on March 7, 1996, is hereby approved.

2. That Target Telecom, Inc., TTI National, Inc., and WorldCom, Inc. d/b/a LDDS WorldCom are hereby authorized to take any and all other actions necessary to effectuate the transaction contemplated by the application and this order.

3. That the current certificate of service authority and tariff of Target Telecom, Inc. shall be canceled ninety (90) days from the effective date of this order.

4. Unless a motion for an extension of time is filed within ninety (90) days from the effective date of this order, the cancellation of the certificate of service authority and tariff of Target Telecom, Inc. shall become effective without the need for further Commission order.

5. That TTI National, Inc. shall file a pleading with the Missouri Public Service Commission notifying the Commission of the closing date of the asset sale transaction within ten (10) days after the completion of the transaction.

6. That this order shall become effective on August 6, 1996.

BY THE COMMISSION



David L. Rauch
Executive Secretary

(S E A L)

Zobrist, Chm., McClure, Kincheloe,
Crumpton, and Drainer, CC., Concur.

ALJ: Bensavage.