

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 22nd
day of August, 1995.

Application for authority to transfer)
control of Corporate Telemanagement) CASE NO. TM-95-438
Group, Inc. to LCI International, Inc.)
and LCI Telemanagement Corp.)

ORDER APPROVING MERGER

On June 30, 1995, LCI International, Inc. (LCII), LCI International Telecom Corp. (LCI Telecom), LCI Telemanagement Corp. (LCI Telemanagement), and Corporate Telemanagement Group, Inc. (CTG) filed a joint application pursuant to Section 392.300, RSMo 1994, seeking authorization of the Commission: (1) approving the merger of CTG into LCI Telemanagement; (2) authorizing the transfer from CTG to LCI Telemanagement of the certificate of service authority as an interexchange carrier previously granted to CTG; (3) authorizing LCI Telemanagement to adopt CTG's existing tariff; and (4) approving the financing arrangements of LCII attendant to the merger acquisition, in the event prior approval of the Commission for the financing transaction is necessary.

CTG is a privately-held South Carolina corporation with its principal office located at 430 Woodruff Road, Greenville, South Carolina 29607. CTG was certificated by the Commission to provide intrastate interexchange telecommunications services on May 12, 1992, in Case No. TA-92-119. LCII is a public-held Delaware corporation with its principal office located at 8180 Greensboro Drive, McLean, Virginia 22102, and provides telecommunications services in 47 states through its operating subsidiaries. LCII currently does business in Missouri through LCI

Telecom, a wholly-owned subsidiary of LCI International Management Services, Inc. (LCIM), which in turn is a wholly-owned subsidiary of LCII. LCI Telecom provides telecommunications services pursuant to a certificate of service authority which was granted to LiTel Telecommunications Corporation (LiTel) on August 29, 1989, in Case No. TA-89-204. Subsequently the Commission on March 26, 1992 approved the adoption by LiTel of the fictitious name LCI International, and on February 8, 1994 approved the corporate name change from LiTel Telecommunications Corporation d/b/a LCI International to LCI International Telecom Corp. LCI Telemanagement is a Delaware Corporation wholly-owned by LCII, and was specifically formed for the purpose of acquiring CTG, and it is LCI Telemanagement into which CTG is to merge.

LCII, LCI Telecom, LCI Telemanagement, and CTG state in their joint application that the purpose of the merger of CTG into LCI Telemanagement is to reduce operating costs and improve services. Applicants explain that the LCI companies have built a nationwide network of switches, fiber optic transmission lines, and leased lines of other carriers, and have substantially better access to capital markets than does CTG, while CTG has developed an extremely productive long distance sales channel based upon working relationships with a national network of independent dealers who are in the business of providing and maintaining telephone equipment for commercial customers around the country, as well as management systems and infrastructure to support such distributor programs. By combining operations, the combined firm will be able to operate more efficiently, introduce new products, and continue to expand operations, thereby offering new and improved services to customers in Missouri.

In support of the joint application, the Applicants state that a letter of intent was signed on May 5, 1995, between LCIM and CTG. Applicants also state that LCII has made financing arrangements in order to finance the acquisition, and while Applicants indicate their understanding that prior Commission approval is not needed for the financing transaction, Applicants request Commission approval in the event their understanding is incorrect. The contemplated purchase price is to be paid in cash, with the balance to be paid in LCII common stock.

Financial information for LCII is attached to the joint application in, respectively, Exhibits B and C. Also attached to the joint application as Exhibit D is a copy of LCI Telemanagement's Articles of Incorporation. LCI Telemanagement's Certificate of Authority to conduct business in the State of Missouri was separately filed as a late-filed exhibit. In addition, the letter of intent signed on May 5, 1995, between LCIM and CTG is attached to the joint application as Exhibit E. Applicants state in their application that there should be little or no impact on the tax revenues of the various political subdivisions of Missouri.

On August 7, 1995, the Commission's Staff filed a memorandum recommending approval of the joint application. Staff explains that after the merger, CTG would cease to exist as a separate entity, and LCI Telemanagement would provide telecommunications services to CTG's former customer base. Customers will be sent notice regarding the proposed transaction, and will continue to receive the same services and rate as they are currently receiving from CTG, as LCI Telemanagement intends to adopt CTG's tariff. Staff states that if approved, LCII would have two subsidiaries, LCI Telecom and LCI Telemanagement, certificated to provide telecommunications service in Missouri. Staff also notes that the proposed merger will allow the LCII companies to reduce their costs of operation and

improve their services, therefore the proposed transaction is in the public interest because it will strengthen competition in Missouri. In addition, with regard to LCII's proposed financing, Staff indicates its belief that under Section 392.290(2), Commission approval of the financing is not necessary.

Staff has reviewed the application and recommends that the Commission approve the merger and transfer of CTG's certificate of service authority from CTG to LCI Telemanagement. Staff recommends that the Commission instruct LCI Telemanagement to file either an adoption notice or a replacement tariff within 30 days of the effective of the Commission's order, with the merger and certificate transfer to become effective on the date that the adoption notice or new tariff becomes effective. Staff adds that it is unaware of any other filings which would affect or which would be affected by this merger.

Upon review of the verified joint application and attachments thereto, and Staff's recommendation, the Commission finds that the proposed transaction is unlikely to cause inconvenience and confusion to CTG's customers, and CTG's customers will continue to receive the same rates and services from the existing CTG tariff. The Commission further finds that because of the LCI companies' better access to capital markets, the merged company has a greater likelihood of being able to strengthen its competitive position and take advantage of economic efficiencies. In addition, the Commission finds that the respective strengths of the merging companies complement each other, making it more likely that improved services will be offered to customers in Missouri. Thus, the Commission finds that the proposed transaction is not detrimental to the public interest.

The Commission also finds that Staff's recommendation is appropriate, and that LCI Telemanagement should file either an adoption notice adopting CTG's tariff, or a new tariff, within 30 days of the effective date of the Commission's order. In addition, the merger and certificate transfer from CTG to LCI Telemanagement should become effective on the date that the adoption notice or new tariff becomes effective. Finally, the Commission finds that as LCII through its operating subsidiaries operates in Missouri and one or more other states, LCII need not obtain prior approval for its financing plans, pursuant to Section 392.290(2), RSMo 1994.

IT IS THEREFORE ORDERED:

1. That the merger of Corporate Telemanagement Group, Inc., with and into LCI Telemanagement Corp., with LCI Telemanagement Corp. as the surviving entity, be and is hereby approved, in accordance with the joint application filed by the parties.

2. That LCI International, Inc., LCI International Telecom Corp., LCI Telemanagement Corp., and Corporate Telemanagement Group, Inc. be authorized hereby to enter into, execute, and perform in accordance with all other documents reasonably necessary to effectuate the merger transaction contemplated by the joint application and this order.

3. That LCI International, Inc., LCI International Telecom Corp., LCI Telemanagement Corp., and Corporate Telemanagement Group, Inc. be and are hereby authorized to take any and all other actions necessary to effectuate the merger contemplated by the joint application and this order.

4. That LCI Telemanagement Corp. or Corporate Telemanagement Group, Inc. shall file a pleading with the Missouri Public Service

Commission notifying the Commission of the closing date of the acquisition and merger within ten (10) days after the completion of the transaction.

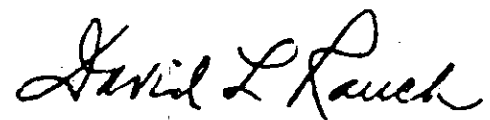
5. That LCI Telemanagement Corp. be and is hereby ordered to file, at its election, either an adoption notice adopting the tariff of Corporate Telemanagement Group, Inc., or a new tariff for LCI Telemanagement Corp., within thirty (30) days of the effective date of the Commission's order.

6. That the adoption notice or new tariff required to be filed by LCI Telemanagement Group, Inc. pursuant to Ordered Paragraph No. 5 above be and is hereby ordered to contain a thirty-day effective date.-

7. That the certificate of service authority currently granted to Corporate Telemanagement Group, Inc. be and is hereby transferred to LCI Telemanagement Corp., effective simultaneously with the effective date of the adoption notice or new paragraph required to be filed and approved pursuant to Ordered Paragraphs No. 5 and 6 above.

8. That this Order shall become effective on September 1, 1995.

BY THE COMMISSION



David L. Rauch
Executive Secretary

(S E A L)

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