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 January, 1996.

In the matter of the petition for approval of asset sale from WorldTel Services, Inc. to Corporate Telemanagement Group, Inc.	)))	**CASE NO. TM-96-69**

ORDER APPROVING SALE OF ASSETS

On September 11, 1995, WorldTel Services, Inc. (WorldTel) and Corporate Telemanagement Group, Inc. (CTG) filed an application pursuant to Section 392.300, RSMo 1994, seeking approval of the Missouri Public Service Commission (Commission) for the sale of certain WorldTel assets to CTG. The assets to be sold and transferred include the following: (a) substantially all customer contracts, rights, lists, records, billing and all other information relating to the Express customers of WorldTel; (b) substantially all sales agents contracts, rights, lists, records, payment and other information relating to sales agents for the Express customers; and (c) the non-exclusive right to use the trademark "Express" until December 31, 1995. Applicants have attached a copy of the Agreement For Sale and Purchase of Assets to the application as Exhibit 1.

In a footnote on page 1 of the application, Applicants note that CTG has pending before the Commission in Case No. TM-95-438 an agreement for the merger of CTG into LCI Telemanagement Corp. (LCI), with LCI as the surviving entity. Applicants requested that in the event Commission approval of the CTG/LCI merger in Case No. TM-95-438 was obtained prior to the approval sought in this case, that the Commission grant its approval for the transfer of WorldTel's assets directly to LCI instead of CTG. The Commission issued its Order Approving Merger in Case

No. TM-95-438 on August 22, 1995. That order stated that the certificate of service authority granted to CTG would be transferred to LCI effective simultaneously with the effective date of the adoption notice or new tariff required to be filed by LCI. LCI subsequently filed a new tariff, and on October 16, 1995, the Commission issued an Order Approving Tariff, effective October 19, 1995. This order permitted the transfer of CTG's certificate of service authority to LCI, and canceled CTG's existing tariff. Thus, the Commission will in the remainder of this order refer to LCI as the purchasing entity.

WorldTel is a California corporation with its principal place of business located at 125 Pacifica, Suite 110, Irvine, California 92718. WorldTel was certificated by the Commission to provide intrastate interexchange telecommunications services on July 16, 1993, in Case No. TA-93-244. LCI is a Delaware corporation wholly-owned by LCI International, Inc., and was specifically formed for the purpose of acquiring CTG in Case No. TM-95-438. LCI was certificated by the Commission to provide intrastate interexchange telecommunications services by virtue of the Commission's orders in Case No. TM-95-438, which transferred CTG's certificate of service authority to LCI effective October 19, 1995.

In their application WorldTel and LCI state that upon consummation of the transaction, LCI anticipates an approximate six-month transition period for the full integration of the portion of WorldTel's customer base purchased in this transaction into LCI's existing operations. LCI will initially continue billing WorldTel's former customers under WorldTel's tariff, with bills that identify both WorldTel and LCI. During the transition, LCI will migrate these customers, rates, and products onto its tariff as filed with the Commission, and the customer bill will identify both WorldTel and LCI. LCI will notify all customers in advance regarding any change in their long distance products or rates.

In addition, Applicants stress that WorldTel is selling only a portion of its assets to LCI, and that WorldTel will maintain its tariff and certification on file with the Commission, as it intends to continue offering services in Missouri. Applicants also state that WorldTel believes that the proposed sale of a portion of its assets is in its best interest at this time, and that LCI's management and telecommunications experience will benefit WorldTel's Missouri Express customers. Transfer of a portion of WorldTel's customer base to LCI will allow LCI to enjoy operational marketing efficiencies, thus strengthening its competitive position. Ultimately, the increased efficiency and effectiveness of competition should result in reduced rates and better services for customers, which is in the public interest.

The Staff of the Missouri Public Service Commission (Staff) filed a memorandum containing its recommendations on December 28, 1995. Staff's recommendation references a similar companion case in Case No. TM-96-70 involving an asset sale transaction between Bottom Line Telecommunications, Inc. (BLT) and CTG (now LCI). Staff states that the sale of the assets between WorldTel, BLT, and LCI affects less than 20 customers in Missouri and should be transparent to the customers as to services and rates. Staff notes that as all of the companies are competitive telecommunications companies, the sale should not be detrimental to the customers, as they have the freedom to choose another interexchange carrier. Staff also notes that customers were notified by letter of the pending change between WorldTel and LCI. In addition, Staff states that LCI will migrate WorldTel customers, rates, and products to LCI, and will issue new tariff sheets incorporating WorldTel services into the LCI tariff. Staff states that it has no objections to the asset sale between WorldTel and LCI, and recommends that LCI be ordered to file tariffs incorporating the old WorldTel services into LCI's tariff within 30 days of the effective date of the order approving sale. Staff also recommends that the proposed sale become effective on the date LCI's new tariff sheets incorporating WorldTel's former services becomes effective.

Upon review of the verified application and attachments thereto, and Staff's recommendation, the Commission finds that the proposed transaction will allow LCI to generate economies of scale and therefore operate more efficiently, which in turn will invigorate competition in the intrastate long-distance market by making it more efficient and effective. In addition, the increased efficiency and effectiveness of competition should ultimately result in reduced rates and better services for customers. Thus, the Commission finds that the proposed transaction is not detrimental to the public interest.

However, the Commission finds that the suggested six-month transition period for the migration of WorldTel's customers to LCI is not reasonable, especially given that less than 20 Missouri customers are involved in the transaction. In essence, LCI will be providing service to WorldTel's customers under the tariff of WorldTel rather than the tariff of LCI. Such a lengthy transition period is undesirable for a number of reasons, including the increase in the risk of customer confusion and inconvenience. Rather, the Commission finds that 90 days will provide adequate time for the transition of WorldTel's customer base into LCI's existing operations. This case is very similar to a companion case, Case No. TM-96-83, which involved a sale of assets between International Telecommunications Exchange Corporation d/b/a INTEX Communications, Inc. (INTEX) and CTG (now LCI). <u>See</u> ***Re International Telecommunications***

Exchange Corporation, Case No. TM-96-83, Order Approving Sale Of Assets, issued December 5, 1995. Thus, the Commission will approve the proposed transaction subject to a 90-day transition period.

The Commission also notes that Applicants have not properly complied with 4 CSR 240-2.060 (3)(C) and (E), which was the Commission rule in effect at the time the application was filed. The Commission finds that it would be appropriate to grant Applicants a short period in which to come into compliance with the Commission's rule, especially in light of the subsequent substitution of LCI for CTG as the purchaser.

IT IS THEREFORE ORDERED:

1. That WorldTel Services, Inc. and LCI Telemanagement Corp. shall comply with 4 CSR 240-2.060 (3)(C) and (E) within ten (10) days of the effective date of this order.

2. That the sale of certain assets of WorldTel Services, Inc. to LCI Telemanagement Corp. in accordance with the Agreement For Purchase And Sale Of Assets attached to the application as Exhibit 1 is hereby approved.

3. That WorldTel Services, Inc. or LCI Telemanagement Corp. 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.

4. That LCI Telemanagement Corp. shall file an amended thirty-day tariff within thirty (30) days of the effective date of this order, to incorporate the former services of WorldTel Services, Inc. into LCI's tariff.

5. That WorldTel Services, Inc. and LCI Telemanagement Corp. are hereby directed to have all of the former customers of WorldTel

Services, Inc. transferred to the tariff of LCI Telemanagement Corp. within ninety (90) days of the effective date of this order.

6. That WorldTel Services, Inc. and LCI Telemanagement Corp. are authorized hereby to enter into, execute, and perform in accordance with all other documents reasonably necessary to effectuate the asset sale transaction contemplated by the application and this order.

7. That WorldTel Services, Inc. and LCI Telemanagement Corp. are hereby authorized to take any and all other actions necessary to effectuate the asset sale transaction contemplated by the application and this order.

8. That this Order shall become effective on February 5, 1996.

BY THE COMMISSION

David L Rauch

David L. Rauch
Executive Secretary

(S E A L)

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