

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 Bottom Line Telecommunications,) CASE NO. TM-96-70
Inc. to Corporate Telemanagement Group, Inc.)

ORDER APPROVING SALE OF ASSETS

On September 11, 1995, Bottom Line Telecommunications, Inc. (BLT) 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 BLT assets to CTG. The assets to be sold and transferred include the following: customer contracts and sales agents contracts and all rights, lists, records, billing and other information pertaining to the handling of switched outbound and inbound traffic, calling card traffic, and dedicated outbound and inbound traffic, but excluding all traffic pertaining to the provision of prepaid phone card services. 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 BLT'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.

BLT is a Washington corporation with its principal place of business located at 610 Esther Street, Suite 1000, Vancouver, Washington 98660. BLT was certificated by the Commission to provide intrastate interexchange telecommunications services on September 27, 1994, in Case No. TA-94-357. 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 BLT 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 BLT's customer base purchased in this transaction into LCI's existing operations. LCI will initially continue billing BLT's former customers under BLT's tariff, with bills that identify both BLT 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 BLT and LCI. LCI

will notify all customers in advance regarding any change in their long distance products or rates.

In addition, Applicants stress that BLT is selling only a portion of its assets to LCI, and that BLT will maintain its tariff and certification on file with the Commission, as it intends to continue offering services in Missouri. Applicants also state that BLT 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 BLT's Missouri customers. Transfer of a portion of BLT'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-96-69 involving an asset sale transaction between WorldTel Services, Inc. (WorldTel) and CTG (now LCI). Staff states that the sale of the assets between BLT, WorldTel, 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 BLT and CTG (now LCI). In addition, Staff states that LCI will migrate BLT customers, rates, and products to LCI. Staff states that it has no objections to the asset sale between BLT and LCI, and

recommends that LCI be ordered to file tariffs incorporating the old BLT 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 BLT'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 BLT'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 BLT's customers under the tariff of BLT 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 BLT'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). See 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 Bottom Line Telecommunications, 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 Bottom Line Telecommunications, 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 Bottom Line Telecommunications, 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 Bottom Line Telecommunications, Inc. into LCI's tariff.

5. That Bottom Line Telecommunications, Inc. and LCI Telemanagement Corp. are hereby directed to have all of the former customers of Bottom Line Telecommunications, Inc. transferred to the tariff

of LCI Telemanagement Corp. within ninety (90) days of the effective date of this order.

6. That Bottom Line Telecommunications, 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 Bottom Line Telecommunications, 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
Executive Secretary

(S E A L)

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