

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Application) Application No. C-803
of Teleconnect Long Distance)
Services and Systems Company, MCI) GRANTED
Communications Corporation and)
Telecom *USA, Inc. for approval)
of Agreement and Plan of Merger.) Entered: July 31, 1990

Appearances: For the applicants
Steven G. Seglin
Crosby, Guenzel, Davis, Kessner &
Kuester
134 South 13th St.
Lincoln, NE 68508

For the Commission:
Chris Dibbern
Attorney
300 The Atrium, 1200 N Street
Lincoln, NE 68509-4927

OPINION AND FINDINGS

BY THE COMMISSION:

By application filed May 8, 1990, Teleconnect Long Distance Services and Systems Company ("Teleconnect"), MCI Communications Corporation ("MCI"), Telecom *USA, Inc. ("Telecom") seek approval of an Agreement and Plan of Merger.

Notice of the filing of application was published pursuant to the provisions of the Commission's Rules and Regulations. No protest to the application was filed.

Pursuant to notice required by law, public hearing was held on the application on July 31, 1990, in the Commission Hearing Room, 300 The Atrium, 1200 N Street, Lincoln, Nebraska, with appearances as shown.

Upon consideration of application, the evidence adduced at the hearing and being fully advised, the Commission is of the opinion and finds that:

1. Public Notice of the Agreement and Plan of Merger was given as required by Neb. Rev. Stat. §75-146 and §75-147 (1986).

2. Teleconnect, a subsidiary of Telecom, is a corporation organized and existing under the laws of the State of Iowa. It is engaged in furnishing telecommunications services for hire in Nebraska intrastate commerce and is subject to the jurisdiction of this Commission.

3. MCI Telecommunications Corporation ("MCIT"), a subsidiary of MCI, is a corporation organized and existing under the laws of the State of Delaware. It is engaged in furnishing telecommunications services for hire in Nebraska intrastate commerce and is subject to the jurisdiction of the Commission.

4. Pursuant to the Agreement and Plan of Merger, dated as of April 8, 1990, MCI and Telecom have agreed that MCI will acquire all of the outstanding shares of stock, stock options and stock warrants of Telecom at an agreed cash price of \$42.00 per share. It is estimated that the total amount to be paid to present holders of Telecom shares, options and awards will be approximately \$1.25 billion. Following the merger, there will be a 1000 shares of Telecom stock issued and outstanding, all of which will be owned by MCI.

5. The purpose of this application is to approve the Agreement and Plan of Merger and authorize the transactions set forth in the Agreement.

6. Mr. William Levis, Senior Attorney, MCIT, West Division, testified concerning the Agreement and Plan of Merger. He testified that MCI is buying all of the outstanding shares of Telecom and, under the terms of the Agreement, MCI Capital, Inc. (MCICI) an indirect wholly owned subsidiary of MCI will be merged into Telecom, the surviving company. As a result of the aforementioned transactions, Telecom, Teleconnect and MCIT will be or remain, either directly or indirectly, wholly owned subsidiaries of MCI. In addition, MCIT and Teleconnect will also become affiliates of the same holding company system.

7. Mr. Levis further testified that effectuating the Agreement and Plan of Merger would in no way affect the service which MCIT and Teleconnect provide to customers in the State of Nebraska. At this time, all of the customers of MCIT will remain the customers of MCIT and all of the customers of Teleconnect will remain the customers of Teleconnect. He further testified that Federal Communications Commission approval was being sought and expected within a few days, and that the U.S. Justice Department has examined the antitrust implications of the proposed merger and deems no further action necessary. He stated that state regulatory approval in all states which require approval has either been obtained, or is pending, and all approvals are expected within two weeks.

8. Mr. Levis testified that the Agreement and Plan of Merger is in the public interest for several reasons. In general, it will strengthen the ability of MCI and Telecom to provide quality telecommunications service to the public. In addition, it will

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

improve the ability to achieve economies of scale and to compete effectively in the market. Specifically, it will improve the ability of MCI and Telecom to compete with AT&T, which is currently the dominant carrier with approximately 70 percent share of the revenues in the national interexchange market. In contrast, MCI has a 12.6 percent share and Telecom has a 1.3 percent share.

9. Mr. Dennis Ricca, Director of Regulatory Affairs for Teleconnect, testified to the same public interest reasons as Mr. Levis.

10. Based upon the record presented and the representations made, we find that the Agreement and Plan of Merger is of advantage to the applicants and is not contrary or detrimental to the public interest. We conclude that subsequent to the Agreement and Plan of Merger, the two subsidiaries, MCIT and Teleconnect, will continue to provide service in Nebraska as independent subsidiaries of MCI and will maintain separate tariffs.

ORDER

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that Application No. C-803 be and it is hereby granted and that the Agreement and Plan of Merger is hereby approved and the parties are authorized to perform the transactions set forth in the Agreement.

IT IS FURTHER ORDERED that the current certificates of public convenience and necessity presently held by MCIT and Teleconnect will continue to be held by them individually, and that they will continue to provide service in Nebraska as independent subsidiaries of MCI.

MADE AND ENTERED at Lincoln, Nebraska this 31st day of July, 1990.

NEBRASKA PUBLIC SERVICE COMMISSION

Daniel G. Urwiller

Chairman

COMMISSIONERS CONCURRING:

Frank E. Landis

//s//Frank E. Landis

//s//James F. Munnely

//s//Daniel G. Urwiller

ATTEST:

John R. King
Executive Director