

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

IN THE MATTER of Intellicall Operator) Application No. C-945
Services, Inc., Carrollton, Texas,)

seeking authorization to Guaranty an)

GRANTED

Indebtedness of its Parent, Intelli-)

call, Inc. and to provide a security)

interest.

) Entered: October 6, 1992

BY THE COMMISSION

O P I N I O N A N D F I N D I N G S

By application filed August 17, 1992, Intellicall Operator Services, Inc. (IOS) (a reseller and operator services provider holding a certificate of authority issued in Application No. C-907) seeks an order from the Commission approving its guaranty of a \$40 million indebtedness owed by IOS's parent company, Intellicall, Inc. (Intellicall) and to provide a security interest pursuant thereto.

Notice of the filing of the application was published August 27, 1992 as provided for by the Commission's Rules of procedure. No protest to the application was received and the application is therefore processed by modified procedure this date.

Upon consideration of the application, the affidavit, and being fully advised, the Commission is of the opinion and finds:

1. Applicant is a Delaware corporation which furnishes reseller and operator services in Nebraska. IOS's principal place of business is 2155 Chenault, Suite 410, Carrollton, Texas, 75006-5023.

2. The parent company, Intellicall, headquartered in Dallas, Texas, has had a credit facility with a balance owing of approximately \$30 million to First City, Texas-Dallas and two other Texas banks and which has been used to fund its operations and those of its subsidiaries, including IOS. In addition, Intellicall has outstanding \$10 million in Senior Notes held by the Prudential Insurance Company of America. In March, 1992 certain potential defaults and events of default of Intellicall's loan agreement and note agreement occurred which involved the violation of certain financial ratio covenants. Since that time, Intellicall has been negotiating with the banks and Prudential to renew and modify the agreements. The banks, Prudential, and Intellicall reached agreement on doing so, and have executed a Second Amended and Restated Loan Agreement dated as of July 31, 1992 and an Amended and Restated Note Agreement. As a result, Intellicall has re-scheduled its debt obligations.

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3. IOS is not itself a borrower under the amended agreements. As a condition of agreeing to renew and modify the prior agreements, however, the banks and Prudential have required the subsidiaries of Intellicall, including IOS, to guarantee Intellicall's repayment and performance of all obligations under the amended agreements. The subsidiaries are also required to grant the banks and Prudential a security interest in their property and assets.

4. In its application, IOS alleges there are no circumstances under which the public interest could be adversely affected by IOS's guaranty and grant of a security interest to the lenders because of the highly competitive market in which IOS operates. Competitors would fill the void left by IOS should this guaranty possibly lead to IOS's demise.

After review, the application is fair and reasonable, will not harm the public interest, and should be granted. The issuance of a guaranty and use of the applicant's property and assets as a security interest can be considered to be reasonably required for the purposes of the applicant in light of the relationship between itself and the parent corporation.

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that Application No. C-945 be, and it is hereby, granted and Intellicall Operator Services, Inc. is authorized to Guaranty an Indebtedness of its parent company, Intellicall, Inc. and to provide a security interest in its property and assets.

MADE AND ENTERED at Lincoln, Nebraska this 6th day of October, 1992.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING

Daniel G. Kravitz
Duane D. Gay

//s//Frank E. Landis, Jr.
//s//James F. Munnally
//s//Eric Rasmussen

Frank E. Landis, Jr.
Chairman

ATTEST:

John R. [Signature]
Executive Director