

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Application of) Application No. C-1375
MIDCOM Communications Inc., of)
Seattle, Washington seeking approval) GRANTED
to issue convertible subordinated)
notes and common stock.) Entered: August 20, 1996

PRELIMINARY MATTERS

On July 15, 1996, MIDCOM Communications Inc. of Seattle, Washington filed an application with the Commission seeking approval to issue convertible subordinated notes and common stock. Notice of the application was published in the Omaha Daily Record on July 18, 1996. No protests or petitions for formal intervention to the application were filed. Therefore, this application will be processed pursuant to the Commission's Rule of Modified Procedure (see Rule 018.03).

BY THE COMMISSION

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

MIDCOM Communications Inc. (hereinafter referred to as "MIDCOM") is a publicly-traded corporation formed under the laws of the State of Washington and qualified to transact business as a foreign corporation in the State of Nebraska. The Company's executive offices are located at MIDCOM Tower, 1111 Third Avenue, Suite 1600, Seattle, Washington, 98101.

MIDCOM is authorized by the Nebraska Public Service Commission to resell, and currently operates as a resale carrier of, interexchange telecommunications services within the State of Nebraska pursuant to Application No. C-924.

The Applicant is also authorized to offer, and currently provides, interstate and international telecommunications services, as well as intrastate interexchange telecommunications services in forty-seven (47) other states. MIDCOM ranks among the 20 largest long distance carriers in the nation, with annual interstate telecommunications revenues greater than \$100 million.

MIDCOM is a non-facilities-based resale carrier which offers "1+" outbound and "800" inbound services, data transmission, conference calling, calling cards, facsimile mailboxes, broadcast facsimile and cellular services.

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MIDCOM seeks authority to issue up to \$100 million in Convertible Subordinated Notes, as well as the shares of the Company's common stock into which the Notes may be converted at the option of the Note holders.

The Notes will be convertible at any time prior to maturity, unless previously redeemed by MIDCOM at its option or upon a change of control of the Applicant. The stock into which the Notes may be converted will be issuable upon conversion of the Notes.

The interest rate payable on the Notes, the conversion price of the stock and the redemption price of the Notes will be set immediately prior to the issuance of the Notes. The Notes will be unsecured general obligations of MIDCOM, subordinated in right of payment to all the Company's existing and future senior indebtedness, will be structurally subordinated to all liabilities of the Applicant and will not restrict the incurrence of senior indebtedness or other liabilities issued by MIDCOM or its subsidiaries.

MIDCOM intends to use the proceeds of the offering for a variety of key corporate purposes. A portion of the proceeds will be used to repay existing indebtedness. Other proceeds will be used to acquire and install switching equipment. The remaining portion of the proceeds will be used for additional working capital, capital expenditures and general corporate purposes, including possible future acquisitions.

Based upon the above information, the Commission is hereby of the opinion and finds that the application filed herein is in compliance with the applicable Nebraska statutes and the requirements of the Commission's Rules of Procedure and that the issuance of convertible subordinated notes and common stock is in the public interest and should be granted.

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that Application C-1375 filed by MIDCOM Communications Inc., of Seattle, Washington be, and it is hereby granted and the applicant has approval to issue convertible subordinated notes and common stock in accordance with the Opinion and Findings set forth hereinabove.

IT IS FURTHER ORDERED that the applicant is authorized to take all actions necessary and appropriate in connection with the accomplishment of the foregoing.

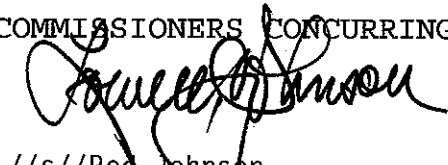
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MADE AND ENTERED at Lincoln, Nebraska, this 20th day of August, 1996.

NEBRASKA PUBLIC SERVICE COMMISSION

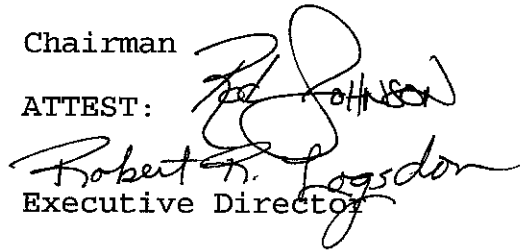
COMMISSIONERS CONCURRING:



//s//Rod Johnson
//s//Frank E. Landis
//s//James F. Munnelly
//s//Daniel G. Urwiller

Chairman

ATTEST:



Executive Director

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION
