

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

May 29, 2007

IN RE:

**JOINT PETITION OF LIGHTYEAR NETWORK
SOLUTIONS, LLC, FIRST COMMUNICATIONS, LLC
AND FIRST COMMUNICATIONS, INC. FOR APPROVAL
OF A TRANSFER OF CONTROL TRANSACTION**

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**DOCKET NO
06-00291**

ORDER APPROVING TRANSFER OF AUTHORITY

This matter came before Chairman Sara Kyle, Director Pat Miller and Director Ron Jones of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on January 23, 2007, for consideration of the *Joint Petition* of Lightyear Network Solutions, LLC ("Lightyear"), First Communications, LLC ("First Communications"), and First Communications, Inc. ("FCI") (collectively "Petitioners") for approval of a transfer of authority to FCI.

The Joint Petition

Lightyear is a Kentucky corporation with headquarters in Louisville, Kentucky. Lightyear is a wholly-owned subsidiary of LY Holdings, LLC,¹ a Kentucky limited liability company also located in Louisville, Kentucky, which in turn is owned by a series of investors including LANJK, LLC, SullivanLY, LLC, and Rice-LY Ventures, LLC. Lightyear is authorized to provide local exchange telecommunications services in 44 states, long distance telecommunications services in 49 states, and was authorized to provide facilities based and

¹ As part of the proposed transaction, LY Holdings, LLC will be merged into Lightyear and cease to exist as an intermediate holding company following the transfer of authority to FCI.

resold local exchange and interexchange telecommunications services in Tennessee pursuant to Authority Order issued in Docket No. 03-00634.

First Communications is an Ohio corporation with principal offices in Akron, Ohio. McKinley Communications, LLC holds a 51% ownership interest in First Communications, First Energy Corp. holds a 32% interest in First Communications, and Boich Investment Group, Ltd. holds a 17% interest in First Communications. No other entity holds a 10% or greater ownership interest in First Communications. First Communications is authorized to provide intrastate long distance and competitive local exchange telecommunications services in several states, and was authorized to provide intrastate long distance services in Tennessee pursuant to Authority Order issued in Docket No. 06-00213.

FCI, a newly-formed Delaware holding company, was created to facilitate a transaction whereby Lightyear, First Communications and Xtension Services, Inc. ("Xtension"), (collectively "companies") will become an integrated telecommunications company, such that the companies can benefit from the combined expertise of their respective management and operational personnel while continuing to operate pursuant to their existing certificates and tariffs, thereby achieving additional economies of scale and scope which will enable them to compete more effectively. FCI has entered into letters of intent to acquire 100% of the shares of Lightyear, First Communications and Xtension.

Xtension is a Delaware corporation founded in 2000. Jamie J. O'Steen and David H. Amis each own 50% of Xtension. Xtension holds domestic and international Section 214 authorizations from the Federal Communications Commission ("FCC") and is authorized to provide long distance and local exchange telecommunications services in 13 states. Xtension is not authorized to provide service in Tennessee and has no Tennessee customers.

In response to a data request issued by the TRA, Jamie J. O'Steen, president of Xtension, verified that Xtension is completely aware and approves of the contents of the *Joint Petition*.²

The *Joint Petition* requests Authority approval to consummate a transaction whereby FCI will acquire control of Lightyear, First Communications, and Xtension following the initial public offering of shares of FCI on the Alternative Investment Market ("AIM") of the London Stock Exchange in March 2007.

Prior to the closing of those three transactions and the resulting transfers of authority, FCI will undertake an initial public offering on AIM after which approximately 72% of its shares will be held by new investors, and the remaining shares will be held by existing owners and founders/management of Lightyear, First Communications and Xtension.³ Following the AIM admission, the closing of the transaction, and the resulting transfer of authority, the existing First Communications' shareholders will hold an aggregate of approximately 7.5% of the shares of FCI; the current shareholders in LY Holdings, LLC, the parent of Lightyear, will hold an aggregate of approximately 3.5%; and the current shareholders of Xtension will hold an aggregate of approximately 3%. Founding management will hold a combined interest of 15%, but the Petitioners do not expect that any individual or entity will acquire more than 10% of the publicly offered shares.

According to the *Joint Petition*, no transfer of certificates, assets or customers will occur as a consequence of the transfer of authority, thus no customer notice is required. Following the consummation of the proposed transaction, Lightyear and First Communication will continue to offer service to their existing customers with no change in their rates or terms and conditions of service.

² See Lightyear, First Communications and FCI's data response dated December 13, 2006.

³ At the time of the closing, a parent company may be added to the corporate structure as the publicly-traded company with the ownership interest described above. FCI will be a wholly-owned subsidiary of the publicly-traded parent company, and the publicly-traded company will be the ultimate parent of Lightyear, First Communications and Xtension.

The transfer of authority of Lightyear and First Communications will therefore be seamless and virtually transparent to consumers in the State of Tennessee.

The *Joint Petition* also states that FCI will have the technical, managerial, and financial qualifications to acquire control of Lightyear, First Communications, and Xtension. The management and operations team consisting of current Lightyear, First Communications, and Xtension management and operations personnel will remain with the integrated company, thereby assuring continuity of existing operations and management experience. Concerning the public interest, the proposed transaction is expected to create a stronger competitor by bringing each organization's respective strengths together. Operating as an integrated company will allow each company to be more competitive and deliver even greater value to their customers than they do individually.

January 23, 2007 Authority Conference

Tenn. Code Ann. § 65-4-113 (2004) requires a public utility to obtain TRA approval to transfer its authority to provide utility services. Tenn. Code Ann. § 65-4-113(a) (2004) provides:

No public utility, as defined in § 65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its certificate of public convenience and necessity issued by the authority, to any individual, partnership, corporation or other entity without first obtaining the approval of the authority.

Tenn. Code Ann. § 65-4-113(b) (2004) provides the standards by which the TRA shall consider an application for transfer of authority, which in pertinent part, states as follows:

Upon application for approval of the transfer of authority to provide utility services, the authority shall take into consideration all relevant factors, including, but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer. The authority shall approve the transfer after consideration of all relevant factors and upon finding that such transfer furthers the public interest.

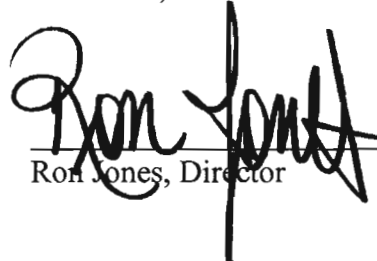
At the regularly scheduled Authority Conference held on January 23, 2007, the voting panel assigned to this docket found that the proposed transaction should be considered pursuant to Tenn. Code Ann. § 65-4-113 (2004), rather than Tenn. Code Ann. § 65-4-112 (2004) under which the *Joint Petition* was filed, because the Section 112 applies to transactions between two public utilities, which is not true of the parties in this docket. Relying on the legal standard set forth in Tenn. Code Ann. § 65-4-113 (2004), the panel voted unanimously to grant approval of the *Joint Petition* contingent upon FCC approval.

IT IS THEREFORE ORDERED THAT:

1. The transfer of authority of Lightyear Network Solutions, LLC and First Communications, LLC to First Communications, Inc. as described in the *Joint Petition* and discussed herein is approved contingent upon approval by the Federal Communications Commission.¹
2. The Applicants shall file with the Authority any documentation from the Federal Communications Commission regarding subsequent action on the transfer.


Sara Kyle, Chairman


Pat Miller, Director


Ron Jones, Director

¹ On February 8, 2007, the Petitioners notified the Authority that the transfer of Lightyear to FCI would not take place.