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February 2, 1999

Ms. Blanca S. Bayo
Director, Division of Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

VIA FEDERAL EXPRESS

990115-TI

Re: Transfer of Control of Coastal Telecom Limited Liability Company to
Eclipse Telecommunications, Inc.

Dear Ms. Bayo:

Eclipse Telecommunications, Inc. ("Eclipse") and Coastal Telecom Limited Liability Company ("Coastal") (referred to jointly as the "Parties"), by their attorneys, hereby notify the Florida Public Service Commission of their intention to transfer control of Coastal to Eclipse, and the ensuing merger of Coastal into Eclipse. The Parties both hold Certificates of Authority. A description of the Parties and the proposed transfer of control is provided below.

Eclipse, a Delaware corporation, maintains its headquarters at 1122 Capital of Texas Highway South, Austin, Texas 78746-6426. Eclipse is a wholly owned subsidiary of IXC Communications, Inc. ("IXC-CSI"). IXC-CSI, in turn, is a wholly owned subsidiary of IXC Communications, Inc. ("IXC"), whose stock is publicly traded on the NASDAQ Stock Market. Eclipse currently operates as a reseller of intrastate interexchange services in forty-eight states, including Florida. Eclipse received its authority to provide telecommunications services in Florida under the name Network Long Distance, Inc. ("Network") on June 30, 1993, in Docket No. 930249-T1. Network's name has since been changed to Eclipse. Eclipse also provides interstate and international telecommunications services pursuant to authority of the Federal Communications Commission ("FCC").

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Coastal, a Tennessee Limited Liability Company, is currently composed of two member entities -- the Andrew M. Bursten 1994 Trust and the Riva Bursten 1994 Trust. Coastal maintains its headquarters at 2 Riverway, Suite 800, Houston, Texas 77056. Coastal provides resold intrastate interexchange telecommunications services in nine states, including Florida. Coastal received its authority to provide telecommunications services in Florida on September 4, 1996, in Docket No. 960462-TI.

On January 11, 1999, Eclipse and Coastal executed a Purchase Agreement ("Agreement"). Eclipse and IXC Internet Services, Inc. ("IXC Internet"), an affiliate of Eclipse, will acquire the current membership interests in Coastal after requisite regulatory approvals have been obtained.¹ Eclipse and IXC Internet will purchase 100 percent of the membership interests in Coastal, which are currently owned equally by two trusts -- the Andrew M. Bursten 1994 Trust and the Riva Bursten 1994 Trust. Eclipse will acquire a 99 percent membership interest and IXC Internet will acquire a one percent membership interest. Upon acquisition of the membership interests, Coastal will be merged with and into Eclipse.² Eclipse will be the survivor of the merger with Coastal, and Coastal will surrender its certification in Florida.

Eclipse's and Coastal's current customers will not be affected adversely by the proposed acquisition. In taking over Coastal's operations, Eclipse will incorporate into its tariff Coastal's tariffed prices, terms, and conditions of service for current Coastal customers. Further, the Parties will send appropriate notifications to the affected customers. Accordingly, the proposed transaction will in no way disrupt service or cause inconvenience or confusion to Coastal's customers. Similarly, the proposed transaction will have no effect on the operation of Eclipse, which will continue to provide telecommunications services to its intrastate customers pursuant to its existing authorization. The current management of Eclipse will not change as a

¹ Coastal is a Tennessee limited liability company, and Tennessee law requires Coastal to have at least two members. IXC Internet provides Internet services and is not engaged in the provision of interexchange or local telecommunications services.

² As part of the same transaction in which Eclipse is acquiring Coastal, Eclipse is also acquiring the membership interests of a Wisconsin limited liability company also named Coastal Telecom Limited Liability Company ("Wisconsin Coastal"). The two current members of Coastal are also the members of Wisconsin Coastal, which does not operate in Florida. Under Wisconsin law, Wisconsin Coastal cannot be merged directly into Eclipse, a Delaware corporation. Accordingly, Wisconsin Coastal will be merged into Coastal immediately prior to Coastal's merger into Eclipse. The merger of Wisconsin Coastal into Coastal is a mere formality, and will not in any way affect Coastal's current operations or proposed merger into Eclipse.

February 2, 1999

Page 3

result of the transaction. Coastal's management team and employees will also remain in place as employees of Eclipse.

As set forth above, Eclipse is a wholly owned subsidiary of IXC-CSI, which is a wholly owned subsidiary of IXC, a publicly traded company. IXC is financially well qualified. In October 1995, IXC issued and sold notes in the aggregate principal amount of \$285,000,000 to institutional and accredited investors. In July 1996, IXC's initial public offering of equity generated net proceeds (before expenses) of approximately \$83,000,000 in additional capital for the company. In April 1997, IXC completed the sale of \$100 million of 7¼% Junior Convertible Preferred Stock Due 2007. In August 1997, IXC completed the sale of \$300 million of 12½% Junior Exchangeable Preferred Stock Due 2009. In March 1998, IXC completed the sale of Depository Shares of 6¾% Cumulative Convertible Preferred Stock, which resulted in net proceeds of approximately \$128 million for the company. In April 1998, IXC raised approximately \$450 million through the issuance of 9% Senior Subordinated Notes Due 2008. Most recently, in October 1998, IXC-CSI established a \$600 million credit facility.

The transfer of control described above is clearly in the public interest. The proposed transaction will bring together Eclipse and Coastal, two rapidly growing providers of interexchange telecommunications services. The combination of the two companies' resources and expertise will strengthen competition in the interexchange marketplace in Florida and elsewhere, by permitting the combined companies to compete more effectively with larger carriers currently providing service in Florida.

The transaction will also combine the complementary management skills, background, and experience of Eclipse and Coastal, allowing the companies to capitalize and build on the diverse expertise of each company in providing telecommunications services to the public. In addition, the transfer of control will enable the combined companies to realize significant economic and marketing efficiencies and enhancements, permitting significant savings in operating costs and capital expenditures. In sum, the proposed transaction will benefit the public interest by enhancing the ability of the combined companies to offer a full range of competitively priced services in the interexchange marketplace, thereby further invigorating interexchange competition in Florida.

It is the Parties' understanding that prior Commission approval is not required for the transaction described above. In the event, however, that the Commission determines that approval is required, please consider this letter as a request for expedited approval. Absent written notice to the contrary within 30 days of the date of this letter, the Parties will assume no further action is required and will consummate the merger as planned.

February 2, 1999
Page 4

Enclosed are seven (7) copies of this letter. A receipt copy is also enclosed. Please file-stamp and return the receipt copy in the self-addressed, stamped envelope provided. Please contact the undersigned with any questions or comments regarding this transaction.

Respectfully submitted,



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Enclosures