

-BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH-

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In the Matter of the Application of Approval of the  
Transfer of Control of XO Communications, Inc., sole  
shareholder of XO Long Distance Services, Inc., and  
XO Utah, Inc., pursuant to corporate restructuring  
involving the issuances and sale of new Stock )  
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DOCKET NO. 02-2208-02  
REPORT AND ORDER

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ISSUED: December 5, 2002

SYNOPSIS

The proposed transfer of control of XO Communications, Inc., appearing to be in the public interest, the Commission approved the same.

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By the Commission:

On July 25, 2002, the Commission approved a restructuring of ownership of XO Communications, Inc., through a plan involving Forstmann Little & Co. Equity Partnership-VII, L.p.; Fortsmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VII, L.P.; and a subsidiary of Telefonos de Mexico, S.A. de C.V. (Forstmann Little Plan). The Fortsmann Little Plan was not executed and has now terminated.

On October 31, 2002, Applicants submitted a Supplemental Petition to Amend Approval of Transfer of Control proposing a "Stand-Alone Plan." On November 26, 2002, the Division of Public Utilities submitted a Memorandum summarizing its analysis of the Stand- Alone Plan and recommending that the Commission grant the Supplemental Petition to approve the transfer of control.

The Stand-Alone Plan is similar to the Fortsmann Little Plan in that it involves elimination of unsecured debt and equity with the issuance of new equity in XO Communications, Inc. Applicants state that the Stand-Alone Plan is necessary for XO Communications to continue operations in the telecommunications market. Like the Fortsmann Little Plan, the Stand-Alone Plane does not involve any transfer of authorizations or change of carriers providing service to customers, rate changes or terms and conditions of service. The current management team will continue to operate the telecommunications networks and provide service to the public. Applicants state that the transfer and change in control will be transparent to customers and will have no adverse impact upon them. Applicants will retain the current technical qualifications to provide service, and will improve their financial qualifications to continue to provide service to the public. The only change will be in the ultimate ownership of XO Communications, Inc.

We conclude, for the same reasons we approved the Forstmann Little Plan, that the proposed transfer of control of XO Communications, Inc., as part of the proposed restructuring and refinancing contemplated in the Stand-Alone Plan, should be approved.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

1. The Supplemental Petition to Amend Approval of the Transfer of Control of XO Communications, Inc. is approved and the requested relief is granted.

2. Review or appeal of this Order may be obtained pursuant to the provisions of Utah Code 54-7-15, 63-46b-12 through 18 and the *Utah Rules of Appellate Procedure*.

DATED at Salt Lake City, Utah, this 5<sup>th</sup> day of December, 2002.

/s/ Stephen F. Mecham, Chairman

/s/ Constance B. White, Commissioner

/s/ Richard M. Campbell, Commissioner

Attest:

/s/ Julie Orchard

Commission Secretary

G#31788