

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. IF-2005-0506, Green Hills Telephone Corporation

FROM: Matt Barnes, Utility Regulatory Auditor III - Financial Analysis Department

/s/ Matt Barnes 10/19/05

/s/ William K. Haas 10/19/05

Project Coordinator / Date

General Counsel's Office / Date

SUBJECT: Staff response to Green Hills Telephone Corporation (Green Hills or Company)
Motion to Modify Order Approving Financing.

DATE: October 19, 2005

Comments:

On October 17, 2005 Green Hills filed with the Commission a Motion to Modify Order Approving Financing. The Company is concerned that the Order as written from the Commission may prevent the Company from executing the Loan Agreement and Promissory Notes for \$22,704,000 to Rural Utilities Service and Rural Telephone Bank and may prevent the Company from executing the Loan Agreement, Restated Mortgage, Security Agreement and Financing Statement placing a lien on its assets. The Company's Motion to Modify Order Approving Financing states in paragraph 3:

On October 13, 2005, the Commission issued its Order approving the financing. The Commission's Order states in Ordered Paragraph 3 that, "the Application filed by Green Hills Telephone Corporation on June 30, 2005, is approved with the conditions set out below." Ordered Paragraph 4 states that "Green Hills Telephone Corporation is authorized to borrow up to \$9.5 million from the Rural Utilities Service." Ordered Paragraph 5 states that Green Hills is authorized "to execute and deliver promissory notes in order to complete the transactions" and Ordered Paragraph 6 states that Green Hills is "authorized to do any and all other things incidental, necessary or appropriate to the performance of any and all acts specifically authorized in this order, including executing all documents necessary for the financing authorized in this proceeding."

Paragraph 4 of the Company's Motion to Modify Order Approving Financing also states:

...Counsel for Green Hills is concerned that the Order as currently written may not grant Green Hills authority to execute the Loan Agreement and Promissory Notes for the full \$22,704,000 and can be

read as only authorizing the execution of documents for \$9.5 million. Green Hills does not disagree with the \$9.5 million cap imposed by the Commission and agrees to not borrow more than that amount without seeking additional authorization from the Commission. However, in order to borrow the \$9.5 million it will be necessary for Green Hills to execute the loan documents for the larger amount...

Staff agrees with the Company's Motion to Modify Order Approving Financing and that the Commission should modify the Order Approving Financing Application and Granting Protective Order so it is clear that the Company is authorized to execute the Loan Agreement and Promissory Notes for \$22,704,000 and not \$9.5 million as stated in Ordered Paragraph 4 of the Order Approving Financing Application and Granting Protective Order. Throughout the Staff Memorandum filed on September 9, 2005, the Staff recognized that the Loan Agreement is for \$22,704,000. Although the Company will draw only \$9.5 million, they will need to seek Commission approval if they need to borrow more than \$9.5 million as stated in Ordered Paragraph 7 of the Order Approving Financing Application and Granting Protective Order.

Staff also agrees with the Company that the Commission should include a paragraph authorizing Green Hills to execute and deliver the Restated Mortgage, Security Agreement and Financing Statement placing a lien on its assets. Although not specifically stated, the recommendation in the Staff Memorandum to approve the Application was intended to include recommended approval of these documents. The Staff recognizes that the lien is an integral part of this financing transaction.

Staff suggests the Commission modify Ordered Paragraph 4 and Ordered Paragraph 5 of the Order Approving Financing Application and Granting Protective Order to read:

4. That Green Hills Telephone Corporation is authorized to execute and deliver such instruments and to undertake such other acts as are necessary to consummate the financing transaction as presented in the application and described in this order, including the execution of documents to borrow an aggregate amount not to exceed \$22,704,000 from the Rural Utilities Service and the Rural Telephone Bank subject to the requirements of this order, including a limit on the portion of this debt that Green Hills Telephone Corporation may draw upon without further application to the Commission. That Green Hills Telephone Corporation is authorized to draw down and obtain debt proceeds as provided in this order in an amount up to \$9.5 million aggregate principal amount under the terms and conditions as described in the application and in this order.

5. That Green Hills Telephone Corporation is hereby authorized to execute and deliver a Restated Mortgage, Security Agreement and Financing Statement for the purpose of placing a lien on its assets as well as to perform such other lawful acts as may be necessary to complete the transaction herein approved.