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PROFESSIONAL CORPORATION

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April 16, 2004

Dale Hardy Roberts  
Secretary/Chief Regulatory Law Judge  
Missouri Public Service Commission  
200 Madison Street, Suite 100  
P.O. Box 360  
Jefferson City, Missouri 65102

**FILED**  
APR 16 2004  
Missouri Public  
Service Commission

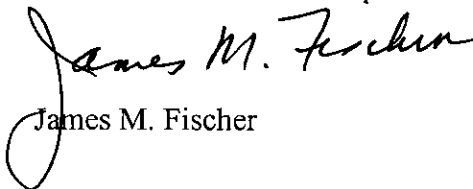
RE: *IOWA TELECOMMUNICATIONS SERVICES, Inc. d/b/a IOWA TELECOM'S  
APPLICATION FOR REVIEW OF ITS PROPOSAL FOR REORGANIZATION,  
Case No.*

Dear Mr. Roberts:

Enclosed for filing in the above-referenced matter is the original Application For An Order Declining Jurisdiction, Or In The Alternative, Order Approving Reorganization of Iowa Telecommunications Services, Inc. d/b/a Iowa Telecom in the above-referenced matter. A copy of the attached has been emailed, hand-delivered or mailed this date to each party of record.

Thank you for your attention to this matter.

Sincerely,

  
James M. Fischer

Enclosures

cc: Office of the Public Counsel  
General Counsel

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

FILED

APR 16 2004

Missouri Public  
Service Commission

IN RE:

IOWA TELECOMMUNICATIONS  
SERVICES, INC. D/B/A IOWA  
TELECOM's APPLICATION FOR  
REVIEW OF ITS  
PROPOSAL FOR REORGANIZATION

Case No. \_\_\_\_\_

**APPLICATION FOR AN ORDER DECLINING JURISDICTION, OR IN THE  
ALTERNATIVE, ORDER APPROVING REORGANIZATION**

COMES NOW Iowa Telecommunications Services, Inc. d/b/a Iowa Telecom ("Iowa Telecom" or "Applicant"), and applies to the Missouri Public Service Commission ("Commission") for review of its Proposal for Reorganization pursuant to 4 CSR 240-2.060 and Section 392.340, RSMo 2000, and hereby requests that the Commission issue its Order Declining Jurisdiction, or in the alternative, its Order Approving Reorganization. In support its Application, Iowa Telecom states as follows:

**I. Summary of Proposal for Reorganization**

Iowa Telecom is a privately-held Iowa corporation that provides local exchange telecommunications service to approximately 258,000 access lines in 294 exchanges located throughout Iowa. Iowa Telecom also provides local exchange telecommunications service to approximately 105 customers located in Missouri that are served from three Iowa exchanges (i.e. Athens, Braddyville, and South Seymour exchanges) that extend into Clark County, Nodaway County and Putnam County in northern Missouri.

Iowa Telecom proposes a reorganization whereby a substantial portion of the common stock held by four existing equity investors, together with additional shares of common stock to be issued by Iowa Telecom, is to be offered to the public in the form of Income Deposit Securities (“IDSs”). The shares of common stock represented by IDSs and shares of common equity retained by the existing equity investors will be entitled to one vote per share and will vote together as a single class on all matters with respect to which holders are entitled to vote. Iowa Telecom anticipates that, after consummation of this initial public offering, ownership of its common stock will be widely dispersed among the general public. Thus, the proposed reorganization will result in a change in ownership of the controlling capital stock of Iowa Telecom from four common stockholders to the much broader general investing public. This reorganization is thus unlike others to have become before the Commission, in that it is a recapitalization rather than a sale of the company to a third party or a merger of existing entities. After the reorganization, as before, Iowa Telecom will be an Iowa-based telecommunications provider, managed by the same individuals, providing integrated telecommunications services to its many customers.

A registration statement was filed with the Securities and Exchange Commission (“SEC”) on April 8, 2004, but is not yet effective. Neither the IDSs nor any other securities described in the registration statement may be sold unless and until the registration statement is declared effective. In addition, an application for authorization to transfer control of Iowa Telecom from the existing equity investors to the investing public generally has been filed with the Federal Communications Commission pursuant to section 214 of the Communications Act of 1934, as amended, and an application for review of Iowa Telecom’s proposed reorganization has been filed with the Iowa Utilities Board.

Following the reorganization, Iowa Telecom will continue to provide safe, reasonable and adequate service to its customers, and be able to attract capital on reasonable terms, including the

maintenance of a reasonable capital structure. In addition, the Commission will continue to have reasonable access to the books, records, documents and other information relating to Iowa Telecom.

Other than changes in the composition of the Board of Directors and minimal staffing additions necessary to comply with SEC and stock exchange governance and reporting requirements, no significant changes in management or workforce of Iowa Telecom are expected. In addition, there are no plans to sell, exchange, pledge or otherwise transfer any of Iowa Telecom's assets<sup>1</sup> and Iowa Telecom will continue to be subject to the Commission's rules relating to approvals for dispositions of jurisdictional assets.

The reorganization will not be detrimental to the public interest or the interests of Iowa Telecom's customers. The reorganization will improve Iowa Telecom's long-term financial strength and flexibility, which will inure to the benefit of Iowa Telecom's customers. The end result of the reorganization will be a stronger Iowa Telecom, active in its pursuit of bringing advanced voice and data communications services to rural markets, all to the ultimate benefit of its customers and the State of Missouri.

## **II. Description of the Applicant and the Proposal for Reorganization**

1. Iowa Telecom, an Iowa corporation, is a local exchange telecommunications company subject to the Commission's jurisdiction under Chapter 392 of the Missouri Revised Statutes. On May 25, 2000, the Commission issued its Order Approving Joint Application To Transfer Assets in Case No. TM-2000-403, which approved Iowa Telecom's joint application to purchase certain assets from GTE Midwest Incorporated, including the Missouri assets that serve approximately 105 Missouri customers. Iowa Telecom's Certificate to Transact Business as A

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<sup>1</sup> Iowa Telecom does expect to amend or replace its existing senior credit relationship with the RTFC in order to accommodate the new notes that make up a part of the IDS, and as a result, existing pledges of assets that secure the senior debt may be amended or replaced. However, pursuant to Section 392.290(2), no approval of this aspect of the transaction would be required by the Commission.

Foreign Corporation and Fictitious Name Registration were filed in Case No. TM-2000-403, and are incorporated herein by reference.

2. The designated contacts for questions concerning this Application are:

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Larry W. Dority, Esq.  
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and

Donald G. Henry  
Vice President and General Counsel  
115 S. Second Avenue West  
Newton, Iowa 50208  
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3. On April 8, 2004, Iowa Telecom announced its intention to engage in a public offering of IDSs by filing its registration statement for such offering with the SEC, effective upon obtaining all necessary federal and state agency approvals.

4. Since Iowa Telecom operates in more than one state, it is not required to seek approval of the Commission to issue stocks, bonds, notes and other evidence of indebtedness, pursuant to Section 392.290(2). In addition, no merger or transfer of assets is contemplated by the proposed transaction. Finally, no new stock corporation is expected to take or hold more than 10% of the capital stock of Iowa Telecom following the conclusion of the transaction.<sup>2</sup> As a result, it is

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<sup>2</sup> All existing equity investors in Iowa Telecom will reduce their holdings as a result of the reorganization. Iowa Network Services currently owns approximately 57% of Iowa Telecom and is expected to reduce its holdings to approximately 10% as a result of the transaction. No single new equity owner is expected to acquire 10% or more of the stock of Iowa Telecom.

unnecessary to seek Commission approval of the purchase of capital stock, pursuant to Section 392.300(2).

5. Section 392.340(1) RSMo. provides that "[r]eorganization of telecommunications companies shall be subject to the supervision and control of the commission and no such reorganization shall be had without the authorization of such commission." Since Chapter 392 does not specifically define the term "reorganization", Iowa Telecom is not certain whether its proposed transaction would require Commission approval, especially in light of the statutory exemption contained in Section 392.290(2) for financings of local exchange companies that operate in two or more states. However, in the event that the Commission believes it has jurisdiction over the proposed transaction, Iowa Telecom respectfully requests that the Commission approve the proposed transaction as soon as possible. On the other hand, if the Commission believes that it does not have jurisdiction over the proposed transaction, Iowa Telecom respectfully requests that the Commission issue its Order Declining Jurisdiction.

6. In any event, Iowa Telecom's reorganization should be permitted to proceed because:

- a. The Commission will continue to have reasonable access to the books, records, documents and other information relating to Iowa Telecom;
- b. Iowa Telecom will not be impaired in its ability to attract capital on reasonable terms or to maintain a reasonable capital structure;
- c. Iowa Telecom will not be impaired in its ability to provide safe, reasonable and adequate service;
- d. The customers of Iowa Telecom will not be detrimentally affected by the reorganization; and
- e. The public interest will not be detrimentally affected by the reorganization.

7. Since there will be no change in the location of any structures, facilities or equipment in Missouri, the transaction will have no impact upon the tax revenues of the political subdivisions in which any structures, facilities, or equipment of the Applicant is located.

8. Applicant has no pending actions or final unsatisfied judgments or decisions against it from any state or federal agency or court which involve customer service or rates, which involve customer service or rates, which action, judgment or decision has occurred within three (3) years of the date of the Application.

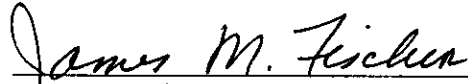
9. Applicant has no annual reports or regulatory assessment fees that are overdue in Missouri.

10. Pursuant to Section 392.340(2), RSMo., the amount of the capitalization, including all stocks and bonds and other forms of indebtedness, will not exceed the fair value of the property of the Company, taking into consideration its original cost of construction, duplication cost, present condition, earning power at reasonable rates and all other relevant matters.

11. Applicant respectfully requests that the Commission issue its order in this matter to be effective by May 30, 2004, if possible. The Applicant is hoping to obtain all necessary regulatory approvals by May 30, 2004, and desires to close the transaction shortly thereafter.

WHEREFORE, Iowa Telecom requests that the Missouri Public Service Commission issue its Order Declining Jurisdiction, or in the alternative, issue its Order Approving Reorganization as soon as convenient in order to permit its proposed reorganization to take place.

Respectfully submitted,



James M. Fischer MBN 27543

Larry W. Dority MBN 25617

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and

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E-mail: [don.henry@iowatelecom.com](mailto:don.henry@iowatelecom.com)

ATTORNEYS FOR THE APPLICANT  
IOWA TELECOMMUNICATIONS  
SERVICES, INC. d/b/a IOWA TELECOM

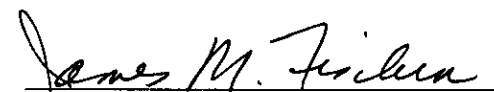


## CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand-delivered, transmitted by e-mail or mailed, First Class, postage prepaid, this 16th day of April, 2004, to:

Office of the Public Counsel  
P.O. Box 2230  
Jefferson City MO 65102

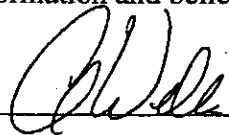
Dana K. Joyce  
General Counsel  
Missouri Public Service Commission  
P.O. Box 360  
Jefferson City MO 65102

  
James M. Fischer

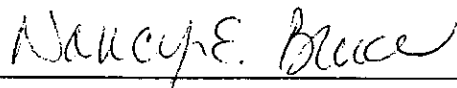
**VERIFICATION**

State of Iowa                                 )  
                                                      ) ss.  
County of Jasper                            )

I, Alan L. Wells, being duly affirmed according to law, depose and say that I am authorized to make this affidavit on behalf of Iowa Telecommunications Services, Inc. d/b/a Iowa Telecom being the President and Chief Executive Officer, and that the facts above set forth are true and correct to the best of my knowledge, information and belief.

  
\_\_\_\_\_  
Alan L. Wells

Subscribed and affirmed to before me this 15<sup>th</sup> day of April, 2004.

  
\_\_\_\_\_  
Notary Public

Notary Seal for Iowa  
Nancy Bruce, Commission #164397  
My Commission Expires: March 20, 2007

My commission expires on the 20<sup>th</sup> day of March, 2007.