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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held at its office
in Jefferson City on the 4th
day of November, 1999.

In the Matter of the Joint Application of)
Mid-Missouri Holding Corp., a Delaware Corpora-)
tion, and Mid-Missouri Telephone Company a)
Missouri Corporation, for an Order Authorizing:)
1) Mid-Missouri Holding Corp. to Purchase or)
Acquire, Take or Hold All of the Issued and) Case No. TF-99-578
Outstanding Capital Stock of Mid-Missouri)
Telephone Company, and 2) for Mid-Missouri)
Telephone Company to Execute a Deed of Trust,)
Security Agreement and Financing Statement to)
Secure a Loan to Complete the Transaction.)

ORDER APPROVING SALE OF STOCK AND FINANCING

On May 27, 1999, the Mid-Missouri Holding Corp. (MMH) and Mid-Missouri Telephone Company (Mid-Missouri), and certain individuals and trustees (collectively the "Applicants"), filed their joint application for authority to carry out their agreement and in particular requesting the Commission's Order: 1) authorizing MMH and Mid-Missouri to enter into and perform their obligations under a stock purchase agreement; 2) authorizing MMH to purchase all of the currently issued and outstanding common stock of Mid-Missouri; and 3) authorizing Mid-Missouri to execute and deliver a Deed of Trust, Security Agreement and Financing Statement related to the financing of the purchase price.

Applicants also filed a motion for a protective order seeking to protect confidential and proprietary information, including documents

containing the purchase price of the stock and non-public financial information. The Commission granted a protective order on June 9, 1999.

The Commission also issued a *Notice of Deficiency* on June 9, 1999, requesting additional information to be provided by the Applicants. On June 17, 1999, the Applicants filed their *Response of Joint Applicants to Notice of Deficiency* in which they provided the additional information.

Also, on June 9, 1999, the Commission issued an *Order Directing Notice*. The Records Department of the Commission was directed to send notice of the application to interested government officials and Mid-Missouri was directed to provide direct notice to its customers. Mid-Missouri filed a *Notice of Compliance* on July 15, 1999, that included a certification and copy of the notice given by Mid-Missouri.

On September 24, 1999, the Commission's Staff completed its investigation of the proposed sale of stock and financing and filed its memorandum recommending approval of the application.

After reviewing the application and Staff memorandum, the Commission determined a hearing would be required and issued its *Order Scheduling Hearing* on October 8, 1999. Mid-Missouri requested that the hearing originally scheduled and noticed for October 27, 1999, be rescheduled to October 28, 1999. This request was granted by the Commission on October 26, 1999. A hearing was held on October 28, 1999, with all interested parties in attendance.

Mid-Missouri is a public utility engaged in the business of providing telecommunications service to approximately 3,900 customers in

twelve exchanges located in portions of five Missouri counties. Mid-Missouri was incorporated under the name Marshall Junction Telephone Company on May 18, 1928, in the State of Missouri. The name of the corporation was changed to Mid-Missouri Telephone Company by amendment to the Articles of Incorporation filed with the Missouri Secretary of State on November 22, 1932. Mid-Missouri, prior to the matters presented in the pending application, was a family-owned corporation.

MMH is a Delaware corporation, with its principal office in New York, New York. MMH is owned by CEA Capital Partners USA, L.P., a Delaware limited partnership, and CEA Capital Partners USA CI, L.P., a Cayman Islands limited partnership (CEA Capital). CEA Capital is a private equity investment fund that has previously made investments in various telecommunications and media companies, including rural telephone companies similar in size to Mid-Missouri.

MMH was formed, among other things, to purchase the issued and outstanding stock of Mid-Missouri. To facilitate the purchase, MMH will borrow certain sums from CoBank. As partial security for the loan MMH will execute and deliver a Pledge Agreement and Assignment of Stock to the bank and Mid-Missouri will execute and deliver a Deed of Trust Security Agreement and Financing Statement.

The Applicants stated that because the financing involved a loan to MMH and not to Mid-Missouri, adjustments would not be required to the

financial statements of Mid-Missouri. Applicants also stated that no fees would be due the Commission under Section 386.300, RSMo 1994¹.

The Applicants also stated that there will be no impact from the sale of the stock of Mid-Missouri on the tax revenues of the political subdivisions in which any structures, facilities or equipment of the companies involved are located.

The Applicants stated that the proposed acquisition of the stock of Mid-Missouri is not detrimental to the public interest. The Applicants stated that: Mid-Missouri will continue to do business under the same name and in much the same manner as it does currently; there will be no change in rates or methods of operation as a result of the stock acquisition; the present manager and employees will be retained; and Mid-Missouri's managerial abilities will be combined with the telecommunications expertise of the principals of MMH in order to effectively provide efficient and affordable service to the Mid-Missouri customers.

Staff indicated that with respect to the financing, its recommendation for approval was based on the projected cash flow of MMH and not the ability of Mid-Missouri to support the debt. Staff noted that MMH is generating significant cash flows from its operations to meet the covenants of its loan on a cash flow basis. Staff believes that financial resources necessary to operate the local telephone company will continue to be available to Mid-Missouri.

¹ Statutory references are to the Revised Statutes of Missouri 1994, unless noted otherwise.

Staff also indicated that no change will occur in the local operations of Mid-Missouri, existing management and craft groups would be retained, and that there will be no restatement or adjustment of Mid-Missouri's financial statements for regulatory or rate-making purposes. Organizational costs related to the transaction will be recorded on the books of MMH, and will not affect rates.

Staff also believes, based on its investigation, that Mid-Missouri's level of service will be maintained, modernization plans will continue, and that no harm to the quality of service for Mid-Missouri's customers will result.

Information and testimony presented at the hearing in this matter on October 28, 1999, made it clear that revenues from Mid-Missouri's non-regulated cellular business are significant and increasing and provide substantial support for the transaction. Total revenues for Mid-Missouri provide significant cash flows that will be available through dividends to MMH to service the debt associated with the financing presented in this case.

The Commission has reviewed the application as supplemented, Staff's recommendation and the information and testimony presented at the hearing in this case. The Commission finds that the proposed sale of stock and financing as presented by the Applicants will have no adverse impact on the Missouri customers of Mid-Missouri. The Commission finds that the transaction is not detrimental to the public interest and should be approved.

IT IS THEREFORE ORDERED:

1. That the sale of stock as presented in the joint application of Mid-Missouri Telephone Company, Mid-Missouri Holding Corp., and certain individuals and trustees, filed on May 27, 1999, and supplemented on June 17, 1999, is approved.

2. That Mid-Missouri Telephone Company is authorized to execute and deliver a Deed of Trust, Security Agreement and Financing Statement, as presented in the joint application, as supplemented.

3. That Mid-Missouri Telephone Company shall file a notification with the Commission no later than ten days after the closing date of the transaction authorized by this order.

4. That this order shall become effective on November 16, 1999.

BY THE COMMISSION



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Drainer, Murray,
and Schemenauer, CC., concur.
Crumpton, C., absent.

Thornburg, Regulatory Law Judge

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COMMISSION COUNSEL
PUBLIC SERVICE COMMISSION