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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 8th
day of January, 1998.

In the Matter of the Joint Application of Talton)
Holdings, Inc. and Security Telecom Corporation)
for an Order Authorizing the Sale, Transfer and)
Assignment of Certain Rights, Properties and) Case No. TM-97-527
Assets from Security Telecom Corporation to)
Talton STC, Inc. a Wholly Owned Subsidiary)
Corporation Formed by Talton Holding, Inc. and)
in Connection Therewith, Certain Other Related)
Transactions.)

**ORDER AUTHORIZING SALE OF CERTAIN ASSETS AND GRANTING
CERTIFICATE OF SERVICE AUTHORITY**

On July 29, 1997, applicants Talton Holdings, Inc. (Talton), Talton STC, Inc. (Talton STC) and Security Telecom Corporation (STC) filed their Second Amended Joint Application¹ for approval of the terms of an asset acquisition agreement dated May 9 (Agreement) that would result in the acquisition by Talton STC of all of the assets of STC.

STC is a Texas corporation with its principal place of business at 2100 North Highway 360, Suite 2203, Grand Prairie, Texas. In Case No. TA-94-114, the Commission issued STC a certificate of service authority to provide intrastate interexchange telecommunications services effective February 19, 1994, and classified STC as a competitive company for which certain statutes and rules were waived. In Case No. TA-94-113, the Commission issued STC a certificate of service authority to provide private

¹ The original application, filed by Talton and STC only, was filed on June 10. Talton, STC and Talton STC filed their First Amended Joint Application on July 21.

pay telephone service effective January 4, 1994. According to the Second Amended Joint Application, STC provides pay telephone service to a number of correctional institutions throughout the State of Missouri.

Talton is a Delaware corporation with its principal place of business at 3811 Turtle Creek Blvd., Suite 1300, Dallas, Texas. Talton STC is a Delaware corporation with its principal place of business at 611 SW Third, Lee's Summit, Missouri, and is a wholly owned subsidiary of Talton.

The applicants did not file a copy of the Agreement, but stated that the Agreement would effectuate a transfer of "all of the assets of STC" to Talton STC. According to the applicants, STC would transfer its two certificates of service authority to Talton STC. After the transfer, Talton STC would adopt the tariffs of STC that are currently in effect, and Talton STC would operate the assets in much the same manner as STC does currently. The applicants requested the Commission to approve the transfer of STC's assets, including its certificates of service authority, to Talton STC, to classify Talton STC as competitive, and to permit Talton STC to adopt STC's current tariffs. The applicants did not specifically request any waivers of statutes or Commission rules in connection with their request for competitive classification of Talton STC, but they did request any other relief necessary to effectuate the asset sale.

The Commission Staff (Staff) filed its Memorandum on August 22, recommending approval of the Agreement. Staff pointed out that Talton and Talton STC have not applied for, and have not been granted, any certificate of service authority by the Commission. Staff stated its opinion that, although it is not a current Commission practice to transfer certificates of service authority, the Commission should grant an exception in this case

because the Second Amended Joint Application contained all information requested of applicants for certificates of service authority to provide interexchange telecommunications service. Staff recommended that the Commission issue an interexchange certificate to Talton STC and cancel the interexchange and pay telephone certificates of STC under the circumstances. Staff also stated that Talton STC would not need a pay telephone certificate to provide pay telephone service if Talton STC had an interexchange certificate of service authority. Staff also recommended that Talton STC be granted the standard waivers granted to competitive interexchange telecommunications companies and that Talton STC be classified as a competitive company.

Discussion

Because this is an asset sale involving companies that have been classified as competitive, the applicants were not required to file a copy of the Agreement with their application. See 4 CSR 240-2.060(5)(H). Also, because the applicants averred that the proposed transaction would not impact the tax revenues of the political subdivisions in which the STC assets are located, no notice was given to the public of the applicants' filing. The applicants alleged, and the Staff concurred, that this transaction would not be detrimental to the public interest.

The Commission notes at the outset that Staff has recommended different relief than that requested by the applicants. Whereas the applicants sought a transfer of both of STC's certificates to Talton STC, the Staff has recommended issuance of an interexchange certificate to Talton STC and cancellation of both of STC's certificates.

The Commission finds that certificates should only be held by entities that have demonstrated that they meet the applicable requirements.

This demonstration is normally made by the acquiring entity through the filing of its own application for a certificate of service authority in a proceeding that predates or proceeds simultaneously with the application to acquire the assets of another entity. The applicants' request for a transfer of STC's certificates to Talton STC is therefore not appropriate. However, Staff suggests a procedure involving the issuance of a new certificate to Talton STC and cancellation of STC's certificates. The Commission agrees with Staff's proposed procedure for the reasons discussed below.

The Second Amended application is verified and contains allegations supporting a finding that Talton STC, the company that would acquire STC's assets, possesses all of the characteristics required for the issuance of an interexchange certificate of service authority. The application filed in this case should be treated as an application by Talton STC for a certificate of service authority to provide interexchange and pay telephone services in the geographical areas in which STC currently holds such certificates. Moreover, an interexchange certificate will authorize Talton STC to provide the pay telephone services it seeks to offer. Because the application contains all of the elements of an application for Talton STC to obtain certificates of service authority to provide interexchange services, it would be in the public interest in this case to issue an interexchange certificate to Talton STC and cancel the certificates held by STC that were granted in Case Nos. TA-94-113 and TA-94-114.

The Commission further finds that Talton STC's private pay telephone service shall be provided consistent with the following terms to ensure that the public interest continues to be served:

- A. Users of the equipment shall be able to reach the operator without charge and without the use of a coin;
- B. Any intrastate operator services provider employed shall hold certificate of service authority, and have on file with the Commission approved tariffs for the provision of operator services to traffic aggregators;
- C. Users of the equipment shall be able to reach local 911 emergency service, where available, without charge and without using a coin or, if 911 is unavailable, there shall be a prominent display on each instrument of the required procedure to reach local emergency service without charge and without using a coin;
- D. The equipment shall be mounted in accordance with all applicable federal, state, and local laws for disabled and hearing impaired persons;
- E. The equipment shall allow completion of local and long distance calls;
- F. The equipment shall permit access to directory assistance;
- G. There shall be displayed in close proximity to the equipment, in 12 Point Times Bold print, the name, address, and telephone number of the COCOT provider, the procedures for reporting service difficulties, the method of obtaining customer refunds, and the method of obtaining long distance access. If applicable, the notice shall state that only one-way calling is permitted. If an alternative operator services (AOS) provider is employed, the COCOT provider shall display such notice as is required by the Commission;

H. The equipment shall be registered under Part 68 of the Rules of the Federal Communications Commission's registration program; and

I. The equipment shall not block access to any local or interexchange telecommunications carrier.

The Commission determines that, unless otherwise ordered by the Commission, Talton STC should remain subject to the provisions of Section 392.390(1) and (3), RSMo 1994, which provide for the filing of annual reports and such information as necessary to determine the jurisdictional nature of the services provided and Section 386.370, RSMo 1994, which provides for the assessment of public utilities. The Commission also determines that Talton STC shall provide a complete list of its service locations if such information is requested by the Staff of the Commission. Furthermore, Talton STC shall notify the Commission if it ceases to provide COCOT telecommunications services in the State of Missouri, or if the address or phone number of its principal place of business changes.

In connection with their request for approval of the transactions, the parties request that Talton STC be classified as a competitive company. The applicants have not specified any specific statutes or regulations that they seek to have waived. However, Staff recommends that Talton STC be granted the same waivers for its certificate that are typically granted to interexchange carriers. Moreover, the applicants have expressed their desire to have Talton STC adopt the tariffs of STC that are currently on file with the Commission, and the Commission takes official notice that these tariffs are premised on the waivers previously granted to STC by the Commission. The Commission finds that waiving the statutes and Commission rules set out in Ordered Paragraph 4, which lists the same statutes and

rules that are waived for other interexchange carriers, is reasonable and not detrimental to the public interest.

IT IS THEREFORE ORDERED:

1. That the transactions proposed by Talton Holdings, Inc., by Talton STC, Inc. and by Security Telecom Corporation are approved except to the extent that said transactions involve the transfer of certificates of service authority from Security Telecom Corporation to Talton STC, Inc.

2. That the certificates issued to Security Telecom Corporation in Case Nos. TA-94-113 and TA-94-114 are canceled.

3. That Talton STC, Inc. is granted a certificate of service authority to provide intrastate interexchange telecommunications services in the state of Missouri, including private pay telephone service via customer-owned coin-operated telephone equipment, subject to the conditions of certification set out above and subject to all applicable statutes and Commission rules except as specified in this order.

4. That Talton STC, Inc. is classified as a competitive telecommunications company. Application of the following statutes and regulatory rules shall be waived:

Statutes

392.240(1) - ratemaking
392.270 - valuation of property (ratemaking)
392.280 - depreciation accounts
392.290 - issuance of securities
392.310 - stock and debt issuance
392.320 - stock dividend payment
392.340 - reorganization(s)
392.330, RSMo Supp. 1996 - issuance of securities,
debts and notes

Commission Rules

4 CSR 240-10.020 - depreciation fund income
4 CSR 240-30.010(2)(C) - rate schedules
4 CSR 240-30.040 - Uniform System of Accounts

- 4 CSR 240-32.030(1)(B) - exchange boundary maps
- 4 CSR 240-32.030(1)(C) - record-keeping
- 4 CSR 240-32.030(2) - in-state record-keeping
- 4 CSR 240-32.050(3) - local office record-keeping
- 4 CSR 240-32.050(4) - telephone directories
- 4 CSR 240-32.050(5) - call intercept
- 4 CSR 240-32.050(6) - telephone number changes
- 4 CSR 240-32.070(4) - public coin telephone
- 4 CSR 240-33.030 - minimum charges rule
- 4 CSR 240-33.040(5) - financing fees

5. That this order shall become effective on January 20, 1998.

6. That Talton STC, Inc. shall file an adoption notice in conformance with this order no later than January 20, 1998.

BY THE COMMISSION



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Crumpton, Drainer
and Murray, CC., concur.

Randles, Regulatory Law Judge