

**BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI**

An Investigation of the Fiscal and Operational)
Reliability of Cass County Telephone Company)
and New Florence Telephone Company, and)
Related Matters of Illegal Activity.)

Case No. TO-2005-0237

STAFF'S APRIL 2005 STATUS REPORT

COMES NOW the Staff of the Missouri Public Service Commission ("Staff") and for its April 2005 Status Report states:

1. By order effective January 28, 2005 the Commission established this case for the purpose of investigating the "financial and operational status of any certificated company in which Mr. Kenneth Matzdorff has any ownership interest or any operational control or influence resulting from his role as an officer or employee of such company."

2. In its order the Commission directed Staff to "file a status report on February 1, 2005, and every 30 days thereafter to inform the Commission of the status of its work"

3. By order dated March 24, 2005, the Commission ordered the Staff to "update the Commission on the status of the case at the March 29, 2005 Agenda meeting."

4. Because of the upcoming March 29, 2005 agenda, the Staff is filing its April 2005 Status Report today.

5. On March 16, 2005 the Staff recommended to the Commission that it issue *subpoenas* to produce the workpapers of external auditors of Cass County Telephone Company Limited Partnership and New Florence Telephone Company. Those *subpoenas* were served on Cass County Telephone Company Limited Partnership and New Florence Telephone Company

on March 17, 2005. Copies of the *subpoenas* and accompanying documents are attached hereto and filed herewith. On March 25, 2005 Cass County Telephone Company Limited Partnership and New Florence Telephone Company filed a motion to quash these *subpoenas* asserting they are subject to a statutory accountant-client privilege that neither Cass County Telephone Company Limited Partnership nor New Florence Telephone Company is waiving.

6. Local Exchange Company, LLC also filed a motion to quash the *subpoenas* served on it March 7, 2005. The Staff has set up an April 4, 2005 conference call with the attorney representing Local Exchange Company, LLC to explore what information, if any, Local Exchange Company, LLC will provide, despite the motion to quash.

7. In addition to serving Commission-issued *subpoenas* on Cass County Telephone Company Limited Partnership and New Florence Telephone Company since its last status report and setting up a conference call with Local Exchange Company, LLC to discuss what information it will provide, the Staff has taken a number of other steps in furtherance of recommendations it made in its initial report on its investigations regarding Cass County Telephone Company Limited Partnership, New Florence Telephone Company and other entities associated with Mr. Kenneth Matzdorff, and in furtherance of the Commission's directives in the Commission Order that established this case. Attached hereto as Appendix A, following the above-referenced *subpoenas*, is a summary of the steps that the Staff has taken and significant events that have unfolded. Among the significant events is a management agreement between Local Exchange Company, LLC and GVNW Consulting Inc. for the management of Cass County Telephone Company Limited Partnership, coordination of efforts with the Kansas Corporation Commission and other agencies, state and federal, the setting of a meeting with the U.S. Attorney's Office for the Western District of Missouri, and the commencement of onsite

audit activities for both Cass County Telephone Company Limited Partnership and New Florence Telephone Company.

WHEREFORE, the Staff files the Staff's April 2005 Status Report.

Respectfully submitted,

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/s/ Nathan Williams

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 28th day of March 2005.

/s/ Nathan Williams

Nathan Williams