

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

In the Matter of the Joint Application of	)	
Brandco Investments, LLC and	)	
Hillcrest Utility Operating Company, Inc., for	)	File No. _____
Hillcrest to Acquire Certain Water and Sewer	)	
Assets of Brandco and, in Connection Therewith,	)	
Issue Indebtedness and Encumber Assets.	)	

**JOINT APPLICATION AND,  
IF NECESSARY, MOTION FOR WAIVER**

COME NOW Brandco Investment, LLC (“Brandco”) and Hillcrest Utility Operating Company, Inc. (“Hillcrest”) and, pursuant to Sections 393.180 and 393.190, RSMo 2000, and 4 CSR 240-2.060, 3.310, 3.320, 3.605, 3.615, and 4.020(2)(B), state the following to the Missouri Public Service Commission (“Commission”) as their Joint Application and, if necessary, Motion for Waiver:

**BACKGROUND INFORMATION**

1. Brandco is a Missouri limited liability company. Its mailing address is P.O. Box 1685, Cape Girardeau, MO 63702. A certified copy of Brandco’s certificate of good standing is attached as Appendix A and incorporated herein by reference. Brandco is the holder of Certificates of Convenience and Necessity from the Commission to operate a water utility and a sewer utility in and around Cape Girardeau County, Missouri. Brandco currently provides water service to approximately 255 customers and sewer service to approximately 255 customers. Brandco is a “water corporation,” “sewer corporation,” and a “public utility,” as those terms are defined in Section 386.020 RSMo, and is subject to the jurisdiction and supervision of the Commission as provided by law. Presently, Brandco is current in its Commission assessment

fees. There is no pending action or final unsatisfied judgment or decision against Brandco from any state or federal agency or court which involves customer service or rates, which action, judgment or decision has occurred within three years of the date of this Joint Application.

2. Hillcrest is a Missouri corporation with its principal office and place of business at 3636 S. Geyer Road, Suite 100, St. Louis, MO 63127. Hillcrest is a Missouri corporation in good standing. A certified copy of Hillcrest's certificate of good standing is attached as **Appendix B** and incorporated herein by reference. Hillcrest has been formed for the purpose of providing water and sewer service to the public in the areas currently served by Brandco. Hillcrest intends to be a "water corporation," a "sewer corporation" and a "public utility" as those terms are defined in Section 386.020, RSMo, and will be subject to the jurisdiction and supervision of the Commission as provided by law. Hillcrest has no overdue Commission annual reports or assessment fees. There is no pending action or final unsatisfied judgment or decision against Hillcrest from any state or federal agency or court which involves customer service or rates, which action, judgment or decision has occurred within three years of the date of this Joint Application.

3. Communications in regard to this Joint Application should be addressed to the undersigned counsel and:

**Hillcrest Utility Operating Company, Inc.**  
c/o Central States Water Resources, Inc.  
3636 S. Geyer Road, Suite 100  
St. Louis, MO 63127  
Attention: Josiah Cox, President  
[jcox@cswrgroup.com](mailto:jcox@cswrgroup.com)  
Phone 314-238-7316

**Brandco Investment, LLC**  
212 South Forrester  
Cape Girardeau, MO 63701

Attention: Bobby Brandon, Managing Member  
@ \_\_\_\_\_  
Phone: ( ) \_\_\_\_\_

### THE TRANSACTION

4. Hillcrest and Brandco have entered into an Agreement For Sale of Sewer & Water Systems, dated April 4, 2014 (“Agreement”), a copy of which is attached as **Appendix C-HC** and incorporated herein by reference. Appendix C has been identified as Highly Confidential in accordance with Commission Rule 4 CSR 240-2.135, as it contains market specific information and information representing strategies employed in contract negotiations. Pursuant to the Agreement, Hillcrest proposes to purchase substantially all of the water and sewer assets of Brandco as specifically described in the Agreement under the terms and provisions further described in the Agreement. Such assets include the Brandco Certificates of Convenience and Necessity granted by the Missouri Public Service Commission to Hillcrest Utilities Company in Cases Nos. 17,937 and 17,938, and obtained by Brandco as a result of Commission Cases Nos. WM-2007-0261 and SM-2007-0262.

5. Because Brandco is a water corporation doing business in the State of Missouri, it is subject to the provisions of Section 393.190.1, RSMo, which states, in pertinent part, that “no . . . water corporation or sewer corporation shall hereafter sell, assign, lease, transfer, mortgage or otherwise dispose of or encumber the whole or any part of its franchise, works or system, necessary or useful in the performance of its duties to the public . . . without having first

secured from the Commission an order authorizing it so to do.”

#### **ADDITIONAL INFORMATION**

6. Hillcrest’s verification of authority authorizing the purchase of the subject assets and related transactions contemplated by the Agreement is attached as **Appendix D** and incorporated herein by reference. Brandco’s verification of authority authorizing the sale of the subject assets and related transactions contemplated by the Agreement is attached as **Appendix E** and incorporated herein by reference

7. A balance sheet and income statement with adjustments showing the results of the acquisition of the property for Hillcrest is attached as **Appendix F** and incorporated herein by reference. Appendix F has been identified as Highly Confidential in accordance with Commission Rule 4 CSR 240-2.135, as it contains market specific information and information representing strategies employed in contract negotiations.

8. The sale of assets should have no impact on the tax revenues of relevant political subdivisions as both Hillcrest and Brandco are private entities and their status as taxpaying entities will not change as a result of this transaction.

#### **FUTURE ACTIONS**

9. Brandco is currently the subject of a Missouri Department of Natural Resources (MDNR) and Missouri Attorney General enforcement action in regards to disinfection of wastewater effluent. Brandco is currently under a MDNR schedule of compliance to upgrade its wastewater treatment facility in order to remove nutrient pollution. Brandco also has existing infiltration and inflow issues which have resulted in sanitary storm water overflows (SSO) which Hillcrest observed during evaluation.

10. In addition, Brandco is currently out of compliance with MDNR drinking water standards that require twenty-four hours worth of storage or a similar configuration to maintain drinking water to its customers in emergency situations. Brandco has been the subject of numerous boil orders due to a lack of drinking water system stability.

11. Hillcrest has examined the sewer system and believes that it will be necessary to construct a new mechanical activated sludge wastewater treatment plant with supporting lift stations in order to meet the schedule of compliance for nutrient removal. In addition, fencing and general site work will be needed. Some of the existing lagoon system will need to be closed per MDNR regulations, while some of the lagoon pond areas will be kept open to act as infiltration and inflow catch basins. These catch basins will then be pumped through the mechanical plant in order to effect tertiary treatment per MDNR SSO regulations. A mini-lift station will be installed to utilize the existing disinfection system, pumping treated waste through the disinfection system.

12. The cost of such improvements is estimated to be \$1,230,421. Hillcrest will invest approximately \$236,000 in equity, and plans to obtain the additional funds necessary to build the wastewater and drinking water improvements through a financing arrangement with Fresh Start Venture LLC. Those funds may only be obtained at an interest rate of 15%. Once completed, it is estimated that the rates will need to be increased by approximately \$71 a month for sewer and \$49 a month for water service, in order to recover the costs associated with constructing the improvements necessary to bring the water and sewer plants into regulatory compliance and to pay for professional ongoing operations and maintenance associated with running these plants.

### **PUBLIC INTEREST**

13. For the following reasons, the proposed acquisition of the specified assets of Brandco and the related transactions are not detrimental to the public interest of the State of Missouri and in fact will be consistent with and will promote the public interest.

A. The assets of Brandco would be acquired by Hillcrest and remain subject to the jurisdiction of the Commission.

B. Hillcrest is fully qualified, in all respects, to own and operate the systems currently being operated by Brandco and to otherwise provide safe, reliable and affordable service.

### **RATEMAKING TREATMENT**

14. Hillcrest proposes to utilize the Brandco rates, rules and regulations and other tariffs currently on file with, and approved by, the Commission as Brandco P.S.C. Mo. No. 2 water tariff and Brandco P.S.C. Mo. No. 2 sewer tariff until such time as they may be modified according to law.

### **FINANCING**

15. Hillcrest also seeks an order from the Commission granting it the authority to issue up to \$1,000,000 of secured indebtedness. The purpose of this financing will be for the purchase of the assets identified above, and to fund the construction necessary to bring the systems into regulatory compliance.

16. A certified copy of a Secretary's Certificate noting approval by Hillcrest's Board of Directors authorizing the proper officers of the Company to do all things necessary to consummate the financing transactions contemplated by this Application and as more

particularly described herein is included as Appendix G and incorporated herein by reference.

16. Hillcrest intends to execute a Term Loan with Fresh Start Ventures LLC. The Term Loan will be based on monthly principal and interest payments amortized over 10 to 20 years. The Term Loan will allow Hillcrest to complete the acquisition of the Brandco water and sewer systems and the construction of a new activated sludge mechanical wastewater treatment plant and drinking water stand pipe, as required for MDNR regulatory compliance. Attached as Appendix H-HC is the term sheet for the Fresh Start Ventures LLC Conditional Loan Commitment, which outlines the principal terms of the agreement including the interest rate, applicable fees and required collateral.

17. The loan will result in a first lien on substantially all of the properties acquired by Hillcrest, including its Certificates of Convenience and Necessity. Consequently, the loan obligations will be secured by a lien or encumbrance on Hillcrest's utility franchises, plant and system that are used to provide service to its customers, and also on an encumbrance against any additional plant and assets.

18. Marked as Appendix I-HC and attached hereto and made part hereof for all purposes, are financial statements with adjustments showing the *pro forma* effect of the contemplated financing. Hillcrest has no capitalization expenditures for the prior five years. The issue is subject to the fee schedule in section 386.300, RSMo.

19. Subjecting Hillcrest's operating properties to the lien will not be detrimental to the public interest, and in fact will be beneficial to the public interest as the public health, safety and welfare will be served by the ability of Hillcrest to obtain financing for the purposes described. The proposed financing transactions will have no material impact on the tax revenues

of the political subdivisions in which any of the structures, facilities or equipment of the companies involved are located.

#### **CONTINGENT REQUEST FOR WAIVER**

20. This case is not likely to be a contested case within the meaning of Commission rule 4 CSR 240-4.020(2) because previous applications addressing the same issues presented in this filing have generally not become contested proceedings. However, in the event that the Commission nevertheless concludes that the filing of this Joint Application is likely to be a contested case, Applicants request a waiver of the sixty (60) day notice for good cause shown as permitted by Commission rule 4 CSR 240-4.020(2)(A).

21. The reason for this request relates to the nature of an asset purchase negotiation as that which resulted in the execution of the subject Agreement and the filing of this Joint Application. Due to the nature of this particular transaction, this Joint Application has been filed as soon as possible. It would serve no purpose to wait sixty days before filing the application for Commission approval. Accordingly, to the extent that the Commission may find it to be applicable, the parties request a waiver from the provisions of Commission Rule 4 CSR 240-4.020(2) to allow for the filing of this Joint Application.

**WHEREFORE**, Hillcrest and Brandco respectfully request that the Commission issue its order:

(A) Authorizing Brandco to sell, and Hillcrest to acquire, the assets of Brandco identified herein, to include the certificates held by Brandco or, in the alternative grant Hillcrest



new certificates to provide water and sewer service in the areas now served by Brandco;

(B) Authorizing Hillcrest to enter into, execute and perform in accordance with the terms described in the Agreement attached to this Joint Application and to take any and all other actions which may be reasonably necessary and incidental to the performance of the acquisition;

(C) Authorizing Hillcrest to enter into, execute and deliver loan agreements with Fresh Start Ventures LLC to incur indebtedness, provided that the aggregate principal amount of all such debt obligations shall not exceed \$1,000,000, pursuant to the terms identified herein;

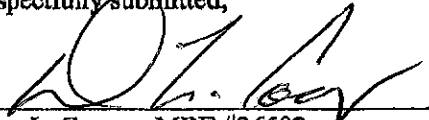
(D) Authorizing Hillcrest to create and make effective a first lien on all of the franchises, certificates of convenience and necessity, plant and system of Hillcrest, to secure its obligations under the loan as provided herein;

(E) Authorizing Hillcrest to enter into, execute, deliver and perform the necessary promissory notes, loan agreements and other documents necessary to effectuate the described financing transactions; and,

(F) Granting such other relief as may be deemed necessary and appropriate to accomplish the purposes of the Agreement and the Joint Application and to consummate related transactions in accordance with the Agreement.

*[Signatures on Next Page]*

Respectfully submitted,



Dean L. Cooper, MBE #36592

**BRYDON, SWEARENGEN & ENGLAND P.C.**

312 E. Capitol Avenue

P.O. Box 456

Jefferson City, MO 65012

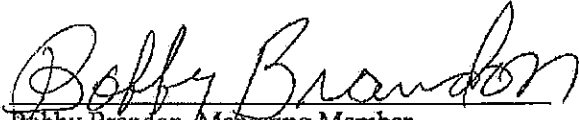
(573) 635-7166 telephone

(573) 635-3847 facsimile

[dcooper@brydonlaw.com](mailto:dcooper@brydonlaw.com)

Dated: May 13, 2014

**ATTORNEYS FOR HILLCREST UTILITY  
OPERATING COMPANY, INC.**



Bobby Brandon, Managing Member

**BRANDCO INVESTMENTS, LLC**

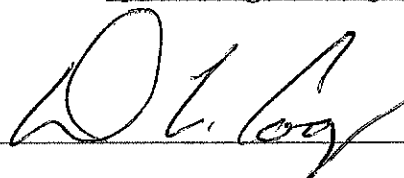
Dated: May 12, 2014

**CERTIFICATE OF SERVICE**

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail or by U.S. Mail, postage prepaid, on May 13, 2014, to the following:

Office of the General Counsel  
Governor Office Building  
Jefferson City, MO 65101  
[staffcounsel@psc.mo.gov](mailto:staffcounsel@psc.mo.gov)

Office of the Public Counsel  
Governor Office Building  
Jefferson City, MO 65101  
[opcservice@ded.mo.gov](mailto:opcservice@ded.mo.gov)

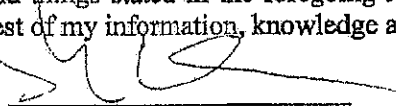


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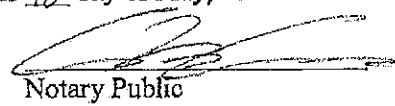
AFFIDAVIT

State of Missouri )  
                          ) ss  
County of St. Louis )

I, Josiah Cox, having been duly sworn upon my oath, state that I am the President of Hillcrest Utility Operating Company, Inc. (Hillcrest), that I am duly authorized to make this affidavit on behalf of Hillcrest, that the matters and things stated in the foregoing Application and appendices thereto are true and correct to the best of my information, knowledge and belief.

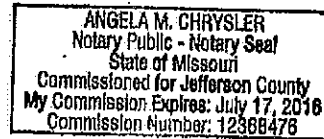


Subscribed and sworn before me this 12<sup>th</sup> day of May, 2014.



Notary Public

My Commission Expires: July 17<sup>th</sup>, 2016



AFFIDAVIT

State of Missouri     )  
                                  ) SS  
County of Cape Girardeau

I, Bobby Brandon, having been duly sworn upon my oath, state that I am the Managing Member for Brandco Investments, LLC (Brandco), that I am duly authorized to make this affidavit on behalf of Brandco, that the matters and things stated in the foregoing Application and appendices thereto are true and correct to the best of my information, knowledge and belief.

Bobby Brandon

Subscribed and sworn before me this 10<sup>th</sup> day of May, 2014.

Shannon I. Karlish  
Notary Public

My Commission Expires: 3-5-2015

SHANNON I. KARLISH  
Notary Public - Notary Seal  
STATE OF MISSOURI  
Cape Girardeau County  
My Commission Expires 3/5/2015  
Commission #11390558

## APPENDICES

Appendix A	Brandco Certificate of Good Standing
Appendix B	Hillcrest Certificate of Good Standing
Appendix C-HC	Agreement For Sale of Water & Sewer Systems between Hillcrest Utility Operating Company, Inc. and Brandco Investments, LLC, dated April 4, 2014 <i>Highly Confidential</i>
Appendix D	Hillcrest Verification of Authority
Appendix E	Brandco Verification of Authority
Appendix F	Pro Forma Balance Sheet and Income Statement for Hillcrest
Appendix G	Secretary's Certificate Concerning Financing
Appendix H-HC	Conditional Loan Commitment <i>Highly Confidential</i>
Appendix I-HC	Pro Forma Impacts of Financing <i>Highly Confidential</i>

**APPENDIX A**

**CERTIFICATE OF GOOD STANDING**

**BRANDCO INVESTMENTS, LLC**

**STATE OF MISSOURI**



**Jason Kander**  
Secretary of State

**CORPORATION DIVISION**  
**CERTIFICATE OF GOOD STANDING**

I, JASON KANDER, Secretary of the State of Missouri, do hereby certify that the records in my office and in my care and custody reveal that

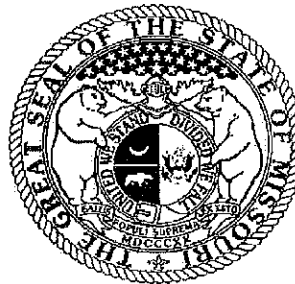
**BRANDCO INVESTMENTS LLC**  
**LC0761024**

was created under the laws of this State on the 28th day of August, 2006, and is in good standing, having fully complied with all requirements of this office.

IN TESTIMONY WHEREOF, I have set my hand and imprinted the GREAT SEAL of the State of Missouri, on this, the 12th day of May, 2014

A handwritten signature in cursive script, appearing to read "Jason Kander".

Secretary of State



Certification Number: L6099660-1 Reference:  
Verify this certificate online at <https://www.sos.mo.gov/businessentity/soskb/verify.asp>

**APPENDIX B**

**CERTIFICATE OF GOOD STANDING**

**HILLCREST UTILITY OPERATING COMPANY, INC.**

**STATE OF MISSOURI**



**Jason Kander  
Secretary of State**

**CORPORATION DIVISION  
CERTIFICATE OF GOOD STANDING**

I, JASON KANDER, Secretary of the State of Missouri, do hereby certify that the records in my office and in my care and custody reveal that

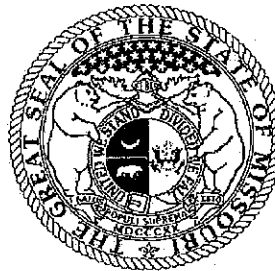
**HILLCREST UTILITY OPERATING COMPANY, INC.  
01378396**

was created under the laws of this State on the 14th day of February, 2014, and is in good standing, having fully complied with all requirements of this office.

IN TESTIMONY WHEREOF, I have set my hand and imprinted the GREAT SEAL of the State of Missouri, on this, the 8th day of May, 2014

A handwritten signature in black ink, appearing to read "Jason Kander".

Secretary of State



Certification Number: 16095988-1 Reference: 21724-002  
Verify this certificate online at <https://www.sos.mo.gov/businessenabty/soskb/verify.asp>



**APPENDIX D**

**VERIFICATION OF AUTHORITY**

COMES NOW the undersigned, the President of Hillcrest Utility Operating Company, Inc. ("Hillcrest"), and does hereby verify that Hillcrest had and has the requisite authority to enter into the Agreement For Sale of Water & Sewer Systems, dated April 4, 2014, by and between Hillcrest and Brandco Investments, LLC (the "Agreement") and to carry out all the obligations contained in the Agreement.

IN WITNESS WHEREOF, the undersigned has hereto set his hand the 12 day of May 2014.

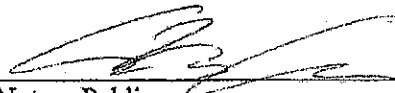


\_\_\_\_\_  
Josiah Cox, President  
HILLCREST UTILITY OPERATING COMPANY, INC.

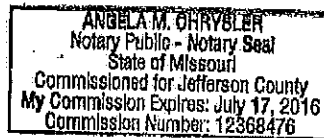
State of Missouri     )  
                                  ) ss  
County of St. Louis    )

On this 12<sup>th</sup> day of May, 2014, before me the undersigned, a Notary Public, in and for the County and State aforesaid, personally appeared Josiah Cox, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

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

My Commission Expires:  
July 17<sup>th</sup>, 2016



**APPENDIX E**

**VERIFICATION OF AUTHORITY**

COMES NOW the undersigned, the Managing Member of Brandco Investments, LLC ("Brandco"), and does hereby verify that Brandco had and has the requisite authority to enter into the Agreement For Sale of Water & Sewer Systems, dated April 4, 2014, by and between Hillcrest and Brandco Investments, LLC (the "Agreement") and to carry out all the obligations contained in the Agreement.

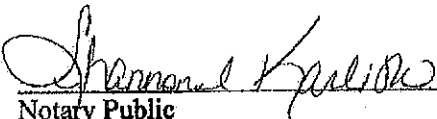
IN WITNESS WHEREOF, the undersigned has hereto set his hand the 10<sup>th</sup> day of May, 2014.

  
\_\_\_\_\_  
Bobby Brandon, Managing Member  
BRANDCO INVESTMENTS, LLC

State of Missouri     )  
                                  ) ss  
County of Cape Girardeau

On this 10<sup>th</sup> day of May, 2014, before me the undersigned, a Notary Public, in and for the County and State aforesaid, personally appeared Bobby Brandon, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

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

My Commission Expires:

3-5-2015

SHANNON I. KARLISH  
Notary Public - Notary Seal  
STATE OF MISSOURI  
Cape Girardeau County  
My Commission Expires 3/5/2015  
Commission #11390558

**APPENDIX F**

**BALANCE SHEET & INCOME STATEMENT**

**HILLCREST UTILITY OPERATING COMPANY, INC.**


Assets	Hillcrest Utility	Brandco - Water & WWTF Acquisition	Pro Forma Hillcrest - Water & WWTF Acquisition
<b>Utility Plant in Service</b>		\$ 439,140	\$ 439,140
Total Plant in Service			
Construction Work in Progress			
Utility Plant Acquisition Adjustment			
Less: Depreciation Reserve		\$ (269,599)	\$ (269,599)
Net Plant in Service		\$ 175,541	\$ 175,541
<b>Non-Utility Property</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 79,784		
Customer Accounts Receivable			
Allowance for Uncollectible Accounts			
Unbilled Revenues			
Miscellaneous Receivables			
Materials and Supplies			
Other			
Current Assets			
<b>Deferred Debits:</b>			
Debt and Preferred Stock Expense			
Deferred Rate Case Proceedings			
Regulatory Asset - Income Tax Recovery			
Other Deferred Debits			
Deferred Debits			
<b>Other Investments and Long-Term Assets</b>			
<b>Total Assets</b>		\$ 175,541	\$ 175,541
<b>LIABILITIES AND CAPITALIZATION</b>			
<b>Company Capitalizations:</b>			
Common Stock Equity, Net			
Long-term Debt (including current maturities)			
Company Capitalization			
<b>Current Liabilities:</b>			
Short-term Debt			
Accounts Payable			
Accrued Taxes			
Accrued Interest			
Customer Deposits			
Current Liabilities			
<b>Deferred Credits:</b>			
Customer Advances for Construction			
Deferred Income Taxes			
Deferred Investment Tax Credits			
Regulatory Liabilities			
Other			
Deferred Credits			
Contributions in Aid of Construction		\$ 86,500	\$ 86,500
<b>Total Capitalization and Liabilities</b>			
<b>Operating Revenues</b>		\$ 49,182	\$ 49,182
<b>Operating Expenses:</b>			
Operating and Maintenance Expenses		\$ 28,272	\$ 61,272
Depreciation and Amortization Expenses		\$ 17,126	\$ 17,126
Taxes, Other than Income Taxes		\$ 491	\$ 491
Operating Expenses		\$ 45,889	\$ 78,889
<b>Net Operating Income</b>		\$ 2,293	\$ (29,707)
<b>Other Income and Deductions:</b>			
Interest Income			
Interest on Long-Term Debt			
Amortization of Debt Discount/Premium, net			
Interest on Short-Term Debt			
AFUDC - Equity Component			
AFUDC - Debt Component			
Miscellaneous Income			
Miscellaneous Amortization			
Miscellaneous Other Deductions			
Total Other Income and Deductions			
<b>Income (Loss) Before Income Taxes</b>			
<b>State Income Taxes</b>			
<b>Federal Income Taxes</b>			
<b>Net Income</b>		\$ 2,293	\$ (29,707)

APPENDIX G

CERTIFICATE OF SECRETARY

COMES NOW the undersigned, the Secretary of Hillcrest Utility Operating Company, Inc. ("Hillcrest"), and does hereby certify that the Board of Directors of Hillcrest has authorized Josiah Cox, its President, to conduct any and all transactions necessary to secure financing for Hillcrest in accordance with the terms of the Fresh Start Ventures LLC Conditional Loan Commitment.

IN WITNESS WHEREOF, the undersigned has hereto set his hand the 12<sup>th</sup> day of May 2014.

  
\_\_\_\_\_  
Walter R. Kersey, III, Secretary  
HILLCREST UTILITY OPERATING COMPANY, INC.

State of California )  
                                  ) ss  
County of Placer     )

On this 12<sup>th</sup> day of May, 2014, before me the undersigned, a Notary Public, in and for the County and State aforesaid, personally appeared Walter R. Kersey, III, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

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

My Commission Expires:  
March 20, 2017

