

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

Staff of the Public Service Commission)	
Of the State of Missouri,)	
)	
Complainant,)	
)	
v.)	Case No. TC-2005-0357
)	
Cass County Telephone Company)	
Limited Partnership,)	
)	
Respondent.)	

STIPULATION AND AGREEMENT

As a result of discussions among the Complainant Staff of the Missouri Public Service Commission (Staff) and the Respondent Cass County Telephone Company Limited Partnership (CassTel) (individually, Party; collectively, Parties), the Parties hereby submit the following Stipulation and Agreement (Agreement) to the Missouri Public Service Commission (Commission) for approval.

I. BACKGROUND

CassTel is a “telecommunications company” and “public utility” as those terms are defined in §386.020 RSMo.¹ As such, CassTel is subject to the supervision and control of the Commission as provided by law in Chapters 386 and 392 RSMo.

On August 11, 2004, the Staff began an informal investigation of CassTel as a result of the arrest of CassTel’s then President, Kenneth M. Matzdorff. Thereafter, on January 14, 2005, the Commission established a case (MoPSC Case No. TO-2005-0237) and directed its Staff to investigate all matters pertaining to the operations of CassTel as a

¹ RSMo. 2000 or RSMo. Supp. 2004, unless otherwise noted.

result of Mr. Matzdorff's guilty plea to certain felony charges.² In addition, the Commission authorized its Staff to file a complaint(s) on any matters contained within the scope of the investigation case.

On April 8, 2005, Staff filed a Complaint against CassTel. The Commission docketed the Complaint as captioned above. By virtue of its Complaint, Staff has sought to obtain authority from the Commission for the Commission's General Counsel to seek penalties against CassTel allowed by law for the violations alleged in the Complaint. Thereafter, on May 13, 2005, CassTel filed its Answer and affirmative defenses.

On July 22, 2005, Staff filed a proposed procedural schedule. CassTel filed its response to Staff's proposal on July 28, 2005. On August 4, 2005, the Commission issued its Order adopting a procedural schedule. Among other things, the Order included events culminating in an evidentiary hearing of five days to commence on October 31, 2005.

On August 30, 2005, Staff filed its Motion for Summary Disposition (the "Motion") and a legal memorandum in support of said motion.

On September 23, 2005, Staff and CassTel filed a Joint Motion for Suspension of Procedural Schedule and Motion for Expedited Treatment (Joint Motion) to allow them to explore the terms of a settlement without the distraction and burden of simultaneously committing substantial effort and expense to preparing for an evidentiary hearing.

On September 26, 2005, the Commission issued an order granting the Joint Motion.

² On July 15, 2005, the Commission issued its Order Dismissing Case, acknowledging that the Staff has the necessary authority to continue to investigate the operations of CassTel without the necessity of a formal docket. Thereafter, Staff has continued its investigation of CassTel.

On December 20, 2005, the Commission issued its Order Setting Date for the Filing of a Response to Staff's Motion for Summary Disposition directing CassTel to file its response to Staff's Motion by no later than January 3, 2006. Said order stated a response would not be necessary if a settlement agreement was filed before December 31, 2005.

II. THE STIPULATION

A. CassTel admits that Staff has sufficient documentation and other information which, if duly offered and admitted into evidence at a hearing, would permit a finder of fact to reasonably conclude that Mr. Kenneth M. Matzdorff caused false entries to be made in the books of account of CassTel when he was an officer of CassTel.

B. CassTel admits that Staff has sufficient documentation and other information which, if duly offered and admitted into evidence at a hearing, would permit a finder of fact to reasonably conclude that on April 19, 2004, Mr. Kenneth M. Matzdorff gave false or misleading testimony to the Commission under oath in Case No. IR-2004-0534.

III. THE AGREEMENT

A. Payment to Public School Fund

Subject to the conditions, limitations and agreements set forth below, CassTel agrees to make a payment to the Public School Fund in the amount of One Million Dollars (\$1,000,000) in settlement of the matters alleged in the pending Complaint and, except as otherwise provided in § III.B.3, all other potential complaints (the Potential Enforcement Complaints) that might arise out of the formal investigation in Case No. TO-2005-0237 and the informal investigations that both preceded the filing of Case No.

TO-2005-0237 and were instituted subsequent to the termination of that case (collectively, the Investigation).

B. Terms and Conditions of the Payment

1. Timing of Payment

The payment of the stipulated amount into the Public School Fund, as contemplated by § III.A., will be made within ninety (90) days of an order approving this Agreement in this case, or upon the close of the sale of CassTel to a new owner or owners, whichever occurs first.

2. Purpose, Scope and Effect of Settlement

The payment of the stipulated amount, as provided by § III.A., represents a full and comprehensive settlement of the Complaint in this case and any Potential Enforcement Complaints arising from or related to the Investigation against CassTel or Local Exchange Carrier LLC (LEC) and, therefore, no additional enforcement complaints, by amendment or otherwise, against CassTel or LEC will be filed, initiated or otherwise pursued. Without limiting the foregoing, this Agreement resolves and settles for all time all pending or unfiled actions for any penalty or forfeiture under or by virtue of the Public Service Commission Law, including those which may be brought by third parties, for or on account of any act, transaction, matter or thing, known or unknown, concerning the subject matter of the Complaint and the Investigation against CassTel, its successors, assigns, partners, agents, managers, officers and employees and, to the extent the Commission has jurisdiction with respect thereto, LEC, its successors, assigns, members, agents, managers, officers and employees and to forever release each and all of them from any punitive adverse action associated with the matters alleged in the

Complaint or which have been examined in the context of the Investigation involving CassTel.

3. Matters Excluded from Scope of Settlement

This settlement excludes any matters associated with the Staff's ongoing investigation of and any current or future complaint against New Florence Telephone Company including Case No. TC-2006-0184. Additionally, this settlement does not preclude Staff from pursuing an overearnings complaint against CassTel.

C. **Certification of CassTel for Receipt of USF Funds.**

1. Prospective Certification

The Parties agree that CassTel has implemented sufficient financial and managerial controls to justify its certification for receipt of federal Universal Service Fund (USF) disbursements. Staff agrees to recommend that the Commission certify prospectively to the Federal Communications Commission (FCC) that funds received by CassTel from the federal high cost support funding mechanisms will be used in accordance with Section 254(e) of the federal Telecommunications Act of 1996 (47 USC §254(e) 1999); provided that, Staff will not be bound to make such a recommendation if, during the time that LEC, LLC continues to have majority ownership of the Company, the day-to-day management of CassTel no longer is being performed by a third party acceptable to Staff.

2. Certification for Prior Periods

The above commitment to recommend prospective certification to the FCC does not preclude Staff from making a recommendation of certification for prior periods. Such recommendation for prior periods shall be in accordance with the terms of

a plan prepared by CassTel and approved by the Staff for the expenditure of High Cost Support certified by the Commission, which plan shall not be applicable to any high cost funding received by CassTel as a consequence of certification under Section III.C.1, of this Agreement. An approved plan for the expenditure of High Cost Support from prior periods shall include a commitment to provide quarterly updates to Staff as to the specific uses of the High Cost Support in accordance with that plan. Quarterly updates shall continue through two annual October 1 Commission USF certification processes and will continue in compliance with any applicable Commission rule thereafter. Further, such recommendation will be based upon CassTel's filing of corrected data for 2005 with USAC and NECA as contemplated by Section III.D., *infra*.

3. There is nothing in this Agreement that constitutes a waiver of any future Commission rule or regulation regarding High Cost Support.

D. Adjustments to Books of Account

The Parties agree that CassTel shall adjust its 2005 books and records by making the correcting entries to its accounts as set forth in Attachment 1, affixed hereto and incorporated by reference. The Parties further agree this adjustment of CassTel's 2005 books and records will represent an accurate valuation of CassTel's telephone plant in service and depreciation reserve accounts for that period. The parties agree that no restatement of CassTel's annual reports to the Commission for years prior to 2005 will be made. CassTel shall supplement each annual report for the 1996-2004 time period with a statement noting that there are inaccuracies and refer the reader to the 2005 CassTel Annual Report. The 2005 CassTel annual report shall contain a statement regarding the corrections contained in this report relative to inaccuracies contained in the 1996-2004

Annual Reports. Notwithstanding this paragraph, if in accordance with III.C.2, the Company seeks High Cost Support certification for prior periods, then the Company will submit a corrected annual report for each year where it relies on cost information from that year to support such High Cost Support certification.

E. The Agreement is in the Public Interest.

The Parties agree the terms of the Agreement are in the public interest and should be approved by the Commission. The pending Complaint together with any Potential Enforcement Complaints are likely to lead to protracted litigation on a number of issues which can better be addressed in the manner set forth in this Agreement. A settlement will allow CassTel to concentrate its energies on providing safe, reliable and affordable telecommunications service. The Agreement will facilitate sale of CassTel's assets and in fact, the Agreement is predicated on an understanding that the present CassTel owners will promptly present such a sale to the Commission for its approval.

IV. THE EFFECT OF THE AGREEMENT

A. The Parties enter into this Agreement in reliance upon information provided to them by CassTel and LEC. In the event the Commission finds that CassTel or LEC failed to provide the Staff with material and relevant information in the possession of either of them or in the event the Commission finds that CassTel or LEC misrepresented facts material and relevant to this Agreement, this Agreement shall be terminated.

B. This Agreement shall become effective upon Commission approval without modification by final Commission order. Such order becomes "final" either by issuance of a Commission order on rehearing or, if no rehearing, on the effective date of

the order.

C. This Agreement has resulted from extensive negotiations among the Parties and the terms hereof are interdependent. In the event the Commission does not adopt this Agreement in total and without modification, at the option of either Party this Agreement shall be void and no Party shall be bound by any of the agreements or provisions hereof, nor shall any provision be deemed as an admission against interest. The stipulations herein are specific to the resolution of this proceeding and the matters specifically addressed in this Agreement. All stipulations are made without prejudice to the rights of the Parties to take other positions in other proceedings.

D. This Agreement is being entered into for the purpose of disposing of all issues in this case and the matters specifically addressed in this Agreement. None of the Parties to this Agreement shall be deemed to have approved, accepted, agreed, consented or acquiesced to any ratemaking principle or procedural principle, including, without limitation, any method of cost determination or cost allocation or revenue related methodology, and none of the signatories shall be prejudiced or bound in any manner by the terms of this Agreement in this or any other proceeding, whether this Agreement is approved or not, except as otherwise expressly specified herein.

E. All Parties further understand and agree that the provisions of this Agreement relate only to the specific matters referred to in the Agreement and no Party waives any claim or right which it otherwise may have with respect to any matters not expressly provided for in this Agreement.

F. When approved and adopted by the Commission, this Agreement shall constitute a binding agreement among the Parties. The Parties shall cooperate in

defending the validity and enforceability of this Agreement and the operation of this Agreement according to its terms.

G. This Agreement contains the entire agreement of the Parties concerning the Complaint and Investigations.

V. COMMISSION APPROVAL OF THE AGREEMENT

The Staff shall file with the Commission suggestions or a memorandum in support of this Agreement. CassTel shall be served with a copy of any memorandum and shall be entitled to submit to the Commission, within ten (10) days of receipt of the Staff's memorandum, a responsive memorandum, which shall also be served on Staff.

The Staff shall also have the right to provide, at any Agenda meeting at which this Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, provide other Parties with advance notice when the Staff shall respond to the request once such explanation is requested from Staff. Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

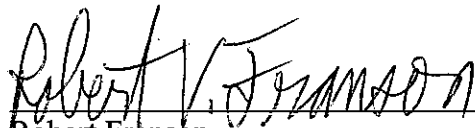
In the event the Commission accepts the specific terms of the Agreement, the Parties waive, with respect to the issues resolved herein: their respective rights pursuant to Section 536.070(2), RSMo 2000 to call, examine and cross-examine witnesses; their respective rights to present oral argument and/or written briefs pursuant to Section 536.080.1 RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2 RSMo 2000; and their respective rights to judicial review pursuant to Section 386.510 RSMo 2000. If this Agreement is not

approved by the Commission, the Parties request that a revised Procedural Schedule be established which provides for a hearing, to include the opportunity for cross-examination.

To assist the Commission in its review of this Agreement, the Parties also request the Commission advise them of any additional information that the Commission may desire from the Parties relating to the matters addressed in this Agreement, including any procedures for furnishing such information to the Commission.

WHEREFORE, for the following reasons, the undersigned Parties respectfully request the Commission to issue an order in this case approving the Agreement subject to the specific terms and conditions contained therein.

Respectfully Submitted,



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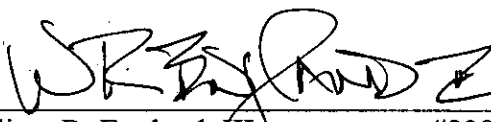
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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 29th day of December, 2005.

