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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 30th  
day of June, 1998.

In the Matter of the Joint Application of Tiger )  
Telephone, L.L.C. and New Florence Telephone )  
Company for an Order Authorizing 1) Tiger )  
Telephone L.L.C. to Purchase or Acquire, Take or )  
Hold All of the Issued and Outstanding Capital ) Case No. TM-98-222  
Stock of New Florence Telephone Company, and )  
2) for New Florence Telephone Company to Execute )  
a Deed of Trust, Security Agreement and Financing )  
Statement to Secure a Loan for \$1,500,000. )  
)

ORDER APPROVING MERGER AND FINANCING

Tiger Telephone, L.L.C. (Tiger Telephone) and New Florence Telephone Company (New Florence) (collectively referred to as Applicants) filed a Joint Application on November 26, 1997, requesting the Commission to issue an order allowing Tiger Telephone to acquire all the capital stock of New Florence and to finance the acquisition.

New Florence is a public utility providing local telephone service in Montgomery County, Missouri, and is subject to the Commission's jurisdiction. New Florence is a Missouri corporation with its principal place of business at 101 North Main Street, New Florence, Missouri. New Florence provides telecommunications service to approximately 442 customers in one exchange located in Montgomery County. Tiger Telephone is a Missouri limited liability company with its principal office and place of business at 192 West Broadway, P.O. Box 647, Peculiar, Missouri, and was formed for the purpose of acquiring New Florence.

The Applicants provided the documentation required by 4 CSR 240-2.060(6): a pro forma balance sheet, income statements, five-year capitalization expenditure schedule, and a certified copy of the resolution of the Board of Directors authorizing the loan. Since the instruments defining the terms of the loan have not been executed, the company included a description of their general terms and conditions. The total principal amount of the promissory note is subject to the fee schedule set out in Section 386.300, RSMo 1994.

Tiger Telephone has requested financing authority in order to acquire all of the total issued and outstanding capital stock of New Florence. In order to finance the purchase, Tiger Telephone asks the Commission to approve its entering into a Stock Purchase Agreement and obtain financing for the purchase. As part of the security for the loan, the financial institution requires New Florence to execute and deliver to it a deed of trust, security agreement and financing statement. Thus New Florence requests an order authorizing it to execute a Deed of Trust, Security Agreement and Financing Statement to CoBank, for an amount up to \$1,500,000.

The Staff of the Commission (Staff) reviewed the application and exhibits and filed a recommendation on April 10, 1998. Staff indicates that the terms of the transaction are reasonable. Staff states that assuming Tiger Telephone borrows \$1,500,000, its capital structure would consist of 57.78 percent long-term debt, 41.27 percent common equity, and .95 percent short-term debt. At this level of total debt, Tiger Telephone would meet the criteria for a "BBB" or "investment grade" rated telecommunications company as determined by Standard & Poor's. Staff states that Tiger Telephone's pro forma pretax interest coverage ratio,

at 2.14 times, is slightly below Standard and Poor's 2.3 times financial median for a "BBB" rated utility company, but that the company has adequate cash reserves to meet its long-term debt obligations for the foreseeable future.

The proposed loan agreement requires Tiger Telephone to maintain four financial ratios with the penalty of default. The ratios are: 1) a leverage ratio of not greater than 5.00 through September 30, 1999, and 3.50 thereafter; 2) a debt service coverage ratio of not less than 1.40 times through December 31, 1998, and 1.50 thereafter; 3) an equity to assets ratio of not less than 35 percent through September 30, 1999, and 40 percent thereafter; and 4) a ratio of current assets to current liabilities of not less than 1.0. According to the Staff's Memorandum, the pro forma financial statement provided in response to Staff Data Information Request 3801, showed that Tiger Telephone would be in compliance with all ratios. Staff stated that the ratios appeared to be reasonable and that the loan would not have a negative impact on Tiger Telephone's credit worthiness or its ability to attract new capital.

Staff has reviewed the proposed sale of New Florence and has no objections to the transaction. After the purchase, Tiger Telephone will become the nonregulated parent corporation of New Florence. No change will occur in the local operations of New Florence. Staff states that the purchase will be accounted for as a pooling of interest, and that the transaction does not create an acquisition adjustment. The costs associated with acquiring New Florence will be recorded on the books of Tiger Telephone and will not be included for ratemaking purposes.

In addition, Staff recommends that:

(a) the Commission approve the use of the depreciation rates for Tiger Telephone that are set out in Attachment B to Staff's Memorandum;

(b) Tiger Telephone establish accounts as detailed in Attachment B;

(c) Tiger Telephone transfer the accumulated reserve for plant acquired from New Florence to these accounts and maintain the depreciation reserve by account as detailed in Attachment B;

(d) the Commission require Tiger Telephone to complete the amortization for retired electro-mechanical equipment approved in TAO 993 immediately following the sale and upon establishment of the plant account described in (c) above; and

(e) maintain continuing property records in accordance with Commission Rule 4 CSR 240-30.040 and FCC Part 32 Uniform System of Accounts.

The Commission has reviewed the application and exhibits, Staff's memorandum, its attachments and specific recommendations. The Commission finds that Tiger Telephone should be authorized to acquire the capital stock of New Florence and to incur indebtedness of up to \$1,500,000 under substantially similar terms and conditions as described in the application and Staff's memorandum. The proceeds of the loan are to be used for the purpose of acquiring the capital stock of New Florence. Based upon Staff's review, the terms of the Stock Purchase Agreement and of the Deed of Trust, Security Agreement and Financing Statement appear to be reasonable.

**IT IS THEREFORE ORDERED:**

1. That the Joint Application filed by Tiger Telephone, L.L.C. and New Florence Telephone Company on November 26, 1997, for authority for Tiger Telephone, L.L.C., to acquire all the capital stock of New Florence Telephone Company and for authority for New Florence Telephone Company to execute a Deed of Trust, Security Agreement and Financing Statement is granted.

2. That Tiger Telephone, L.L.C., and New Florence Telephone Company are authorized to do all things necessary to complete the transactions specifically authorized in this order, including executing agreements, indentures, loan agreements, and other documents, except those things contrary to law or to the rules and regulations of the Commission.

3. That the proceeds of the loan authorized by this order shall be used for the purposes specified in this order and for no other purposes.

4. That, as of the effective date of the acquisition, Tiger Telephone, L.L.C., shall use the depreciation rates set out in Attachment B to Staff's Memorandum.

5. That Tiger Telephone, L.L.C., shall establish accounts as detailed in Attachment B to Staff's Memorandum.

6. That Tiger Telephone, L.L.C., shall transfer the accumulated reserve for plant acquired from New Florence Telephone Company to the accounts established in Ordered Paragraph 5 above and shall maintain the depreciation reserve by account as detailed in Attachment B to Staff's memorandum.

7. That Tiger Telephone, L.L.C., shall complete the amortization for retired electro-mechanical equipment approved in TAO 993 immediately following the sale authorized by this order and upon establishment of the plant account described above.

8. That continuing property records shall be maintained in accordance with Commission Rule 4 CSR 240-30.040 and FCC Part 32 Uniform System of Accounts.

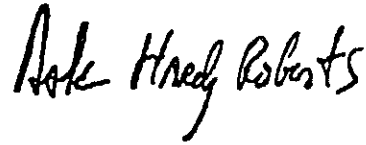
9. That the parties shall file the final terms and conditions and copies of the executed agreements associated with the financing transactions and acquisition in the Commission's official case file no later than 10 days after the transaction is complete.

10. That Tiger Telephone, L.L.C., shall submit to the Commission's Internal Accounting Department a report verified by an appropriate company official reflecting the journal entries recorded relating to the application of the proceeds from the issuance of the stock and bonds authorized by this order within 30 days of their issuance.

11. That nothing in this order shall be considered a finding by the Commission of the reasonableness of the expenditures involved in these financing transactions or of the value, for ratemaking purposes, of the properties involved, or as an acquiescence in the value placed upon those properties by the company. The Commission reserves the right to consider the ratemaking treatment to be afforded these financing transactions, and their resulting cost of capital, in any later proceeding.

12. That this Order shall become effective on July 10, 1998.

BY THE COMMISSION

A handwritten signature in black ink that reads "Dale Hardy Roberts". The signature is written in a cursive, slightly slanted style.

Dale Hardy Roberts  
Secretary/Chief Regulatory Law Judge

( S E A L )

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

Dippell, Regulatory Law Judge