

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Application)	Application No. C-2942
of Keystone-Arthur Telephone)	
Company of Keystone, Nebraska,)	
seeking to borrow from the United)	GRANTED
States of America, through the)	
Rural Utility Service and Rural)	
Telephone Bank.)	Entered: June 17, 2003

BY THE COMMISSION:

On May 6, 2003, an application was filed by Keystone-Arthur Telephone Company (KATCO) of Keystone, Nebraska, seeking authority to borrow from the United States of America, through the Rural Utility Service (RUS), and Rural Telephone Bank. Notice of the application was published in The Daily Record, Omaha, Nebraska, on May 7, 2003. No protests were filed; therefore, this application is processed pursuant to the Commission's Rule of Modified Procedure.

O P I N I O N A N D F I N D I N G S

Upon consideration of the application, the evidence submitted, and being fully advised, the Commission is of the opinion and finds:

KATCO is a Nebraska corporation, which has been issued a certificate of convenience and necessity as a telecommunications common carrier by the Commission and has been certificated as a local exchange carrier to offer and provide telecommunications services within Keith, Arthur, and McPherson Counties in Nebraska.

KATCO, in its application, seeks approval and authority to borrow \$2,960,000 from the United States of America, \$1,723,050 from the Rural Telephone Bank, and \$315,000 from the Federal Financing Bank. Applicant is borrowing said funds for the purpose of partially financing improvements to its operations and telephone facilities. This will include the construction and upgrading of new facilities that will be used to provide new and improved services to its customers, as evidenced by the following:

(a) Loan Contract, dated as of March 3, 2003, among KATCO, United States of America, and Rural Telephone Bank, which provides for the borrowing of amounts not to exceed \$2,960,000 from the United States of America, \$1,723,050 from Rural Telephone Bank, and \$315,000 from Federal Financing Bank, as further explained and provided for in the Loan Contract, a true and correct copy of which is attached hereto as Exhibit A.

(b) Mortgage Note, dated March 3, 2003, made by KATCO to United States of America, in the aggregate principal amount of \$2,960,000, a true and correct copy of which is attached hereto as Exhibit B.

(c) Mortgage Note, dated March 3, 2003, made by KATCO to Rural Telephone Bank in the aggregate principal amount of \$1,723,050, a true and correct copy of which is attached hereto as Exhibit C.

(d) Future Advance Promissory Note, dated March 3, 2003, made by KATCO to the Federal Financing Bank in the aggregate principal amount of \$315,000, a true and correct copy of which is attached hereto as Exhibit D.

(e) Reimbursement Note dated March 3, 2003, made by and between KATCO and the United States of America, acting through the Administrator of the Rural Utilities Services, a true and correct copy of which is attached hereto as Exhibit E.

(f) Restated Mortgage, Security Agreement and Financing Statement, dated as of March 3, 2003, made by and among KATCO, United States of America, and Rural Telephone Bank, a true and correct copy of which is attached hereto as Exhibit F.

The borrowings described above constitute notes and other evidence of indebtedness payable at periods of more than 12 months after the date thereof, and are necessary for the acquisition of property, the construction, completion, extension or improvement of facilities, the improvement or maintenance of its service, or the discharge or lawful refunding of its obligations.

The disbursement of funds from the United States of America and Rural Telephone Bank for the financing of KATCO's improvements to its operations and telephone facilities, including the construction and upgrading of new facilities, will be made upon compliance with the terms and conditions of the Loan Contract.

In support of its applications, KATCO has submitted to the Commission a certified copy of its articles of incorporation and bylaws. Further, certified copies of the resolutions of KATCO's Board of Directors authorizing the borrowing have been provided to the Commission.

Based upon the above information, the Commission finds the application to be in the public interest and to be reasonable, for the purpose of KATCO. The application should be granted.

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that Application No. C-2942 be, and is hereby, granted.

IT IS FURTHER ORDERED that the executed documents mentioned herein are authorized and approved and applicant is authorized to deliver the following executed documents in connection with the borrowing of the aforementioned funds, and the execution and delivery of such documents prior to the date of this order is hereby authorized, approved and ratified:

(a) Loan Contract, dated as of March 3, 2003, among KATCO, United States of America and Rural Telephone Bank, which restates a loan agreement and provides for the borrowing of additional amounts not to exceed \$2,960,000 from United States of America, \$1,723,050 from Rural Telephone Bank, and \$315,000 as a loan from Federal Financing Bank, as further explained and provided for in the Loan Contract, a true and correct copy of which is attached hereto as Exhibit A.

(b) Mortgage Note, dated March 3, 2003, made by KATCO to United States of America in the aggregate principal amount of \$2,960,000, a true and correct copy of which is attached hereto as Exhibit B.

(c) Mortgage Note, dated March 3, 2003, made by KATCO to Rural Telephone Bank payable in the aggregate principal amount of \$1,723,050, a true and correct copy of which is attached hereto as Exhibit C.

(d) Future Advance Promissory Note, dated March 3, 2003, made payable by KATCO to Federal Financing Bank America in the aggregate principal amount of \$315,000, a true and correct copy of which is attached hereto as Exhibit D.

(e) Reimbursement Note dated March 3, 2003, made payable to United States of America, acting through the Administrator of the Rural Utilities Service (RUS), a true and correct copy of which is attached hereto as Exhibit E.

(f) Restated Mortgage, Security Agreement and Financing Statement, dated as of March 3, 2003, made by and among KATCO, United States of America and Rural Telephone Bank, a true and correct copy of which is attached hereto as Exhibit F.

IT IS FURTHER ORDERED that Keystone-Arthur Telephone Company of Keystone, Nebraska, is authorized to use the funds to be borrowed from United States of America, Rural Telephone Bank, and Federal Financing Bank for the purposes herein above stated and that Keystone-Arthur Telephone Company is authorized to take all actions necessary and appropriate in connection with the accomplishment of the foregoing.

MADE AND ENTERED at Lincoln, Nebraska, this 17th day of June, 2003.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Chairman

ATTEST:

Executive Director