

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER RAPER
COMMISSIONER ANDERSON
COMMISSION SECRETARY
LEGAL
WORKING FILE**

FROM: TERRI CARLOCK

DATE: JANUARY 22, 2016

**RE: COLUMBINE TELEPHONE COMPANY'S REQUEST TO ENTER INTO
LOAN AGREEMENT, LINE OF CREDIT AGREEMENT AND
GUARANTEES; CASE NO. COL-T-15-02.**

On December 28, 2015, Columbine Telephone Company, Inc. (Columbine), filed an Application for authority to execute: 1) a Loan Agreement in an amount not to exceed \$1,333,334 ("A Loan"); 2) a line of credit agreement in an amount not to exceed \$2,000,000 ("B Loan") and an unsecured guaranty of payment (the "Guaranty") in favor of the Rural Telephone Finance Cooperative ("RTFC") guaranteeing payment of a term loan from RTFC to Columbine's parent company Horizon Communications, Inc. ("Horizon") in the amount of \$4,444,444 and a revolving line of credit in the amount of \$3,888,889 (collectively the "Horizon Loans").

In support of said Application, Columbine alleges that the proceeds of the RTFC loans to Columbine from the A Loan in the amount of \$1,200,000 will finance the buildout of Columbine's incumbent local exchange carrier (ILEC) infrastructure, including a redundant fiber ring, in Rexburg, ID, and \$133,334 will fund the purchase of ten percent RTFC Subordinated Capital Certificates. The line of credit for \$2,000,000 will be used to provide short-term working capital for general corporate purposes. Columbine further alleges that the Horizon Loans Guaranty is a condition of the Horizon Loans by RTFC, and that guarantees by each of Columbine's sister companies also would be required.

LOAN TERMS

The Columbine A Loan is an eight-year secured term loan in the amount of \$1,333,334. At the time of issuance, Columbine may elect a fixed or variable interest rate. Current rates range from 3.5% to 5.5%. Columbine must meet financial covenant requirements with a

minimum Debt Service Coverage (“DSC”) Ratio and a maximum Leverage Ratio. Other covenant requirements are placed on dividend distributions, other cash distributions, corporate control, new subsidiaries, organizational changes and additional indebtedness.

The Columbine B Loan is a two-year secured revolving line of credit in the amount of \$2,000,000. The line of credit balance must be paid off for a minimum period of five days every 360 days.

LOAN GUARANTY

The Horizon Loan from RTFC to the Columbine's parent company, Horizon Communications, Inc. ("Horizon"), in the amount \$4,444,444 is to refinance the total outstanding balances on Horizon's subsidiaries' lines of credit from RTFC and the purchase of ten percent RTFC Subordinated Capital Certificates. This loan is an eight-year secured, fully amortizing term loan. A second loan in the amount of \$3,888,889 is to finance Horizon's budgeted capital expenditures. It is also an eight-year secured, fully amortizing term loan.

Horizon Communications, Inc., a corporation organized under the laws of the State of Wyoming, with the following wholly-owned subsidiaries: Teton Communications, Inc. (“Teton”); Silver Star Telephone Company, Inc. (“Silver Star”); Columbine Telephone Company, Inc. (“Columbine”); Mountainland Communications, LLC (“Mountainland”); Goldstar Communications, LLC (“Goldstar”); World Visions Group, LLC (“WVG”) (hereafter collectively referred to as the “Subsidiaries”).

Unsecured guarantees for the full amount of the Horizon Loans plus interest and fees will be pledged from Silver Star and Columbine. Secured guarantees for the full amount of the Horizon Loans plus interest and fees will be required from Subsidiaries, Millennium and Gold Star.

STAFF RECOMMENDATION

Staff recommends the Commission grant the requested Columbine debt authority for the eight-year secured loan for \$1,333,334 and two-year secured revolving line of credit for \$2,000,000.

Staff recommends the Commission authorize Columbine to guaranty the Horizon Loan as unsecured guarantees for \$4,444,444 and \$3,888,889.

Staff recommends Columbine file copies of all agreement terms and final documents.

COMMISSION DECISION

Does the Commission approve the Columbine eight-year secured loan?

Does the Commission approve the two-year secured revolving line of credit?

Does the Commission approve the unsecured guaranty of the Horizon Loans?

Does the Commission wish to require copies of all agreement terms and final documents be filed with the Commission Secretary?



Terri Carlock

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