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May 2, 2006

**HAND DELIVERY**

Honorable Ron Jones, Chairman  
c/o Sharla Dillon, Docket & Records Manager  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

06-00127

**RE: In Re: Joint Application of Yorkville Telephone Cooperative, Inc.,  
Yorkville Communications, Inc., West Kentucky Rural Telephone  
Cooperative Corporation, Inc. and West Kentucky Networks d/b/a  
wk.net for Approval of Asset Sale**

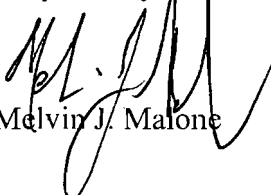
Dear Chairman Jones:

Enclosed for filing are the original and thirteen (13) copies of the *Joint Application of Yorkville Telephone Cooperative, Inc., Yorkville Communications, Inc., West Kentucky Rural Telephone Cooperative Corporation, Inc. and West Kentucky Networks d/b/a wk.net for Approval of Asset Sale* (the "*Joint Application*"). The required verifications will be submitted separately. For reasons set forth in the *Joint Application*, the applicants request that this matter be considered, on an expedited basis, at the Authority's May 15, 2006, Conference.

A \$100.00 check for the required filing fee is also enclosed. An additional copy of this filing is enclosed to be "file stamped" for our records.

If you have any questions or need additional information, please let me know.

Respectfully submitted,

  
Melvin J. Malone

MJM:cw

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T.R.A. DOCKET ROOM

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**BEFORE THE TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE**

In Re:

Joint Application of Yorkville )  
Telephone Cooperative, Inc., Yorkville )  
Communications, Inc., Kentucky Rural )  
Telephone Cooperative Corporation, Inc. )  
and West Kentucky Networks, Inc. d/b/a )  
wk.net for Approval of Asset Sale )

Docket No. 06-00127

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**JOINT APPLICATION FOR APPROVAL OF ASSET SALE**

To the extent required pursuant to Tenn. Code Ann. § 65-29-130(a), Yorkville Telephone Cooperative, Inc. ("Yorkville Cooperative"), Yorkville Communications, Inc. ("YCOM"), West Kentucky Rural Telephone Cooperative Corporation, Inc. ("West Kentucky Cooperative"), and West Kentucky Networks, Inc. d/b/a wk.net ("Networks") (collectively the "Applicants") respectfully petition the Tennessee Regulatory Authority ("Authority" or "TRA") for authority for Yorkville Cooperative, and its affiliate YCOM, to sale and West Kentucky Cooperative, and its affiliate Networks, to purchase substantially all of the assets of Yorkville Cooperative and YCOM (the "*Joint Application*"). Due to the time sensitive closing of the transactions, the Applicants further request that the Authority grant the relief requested herein on an expedited basis.<sup>1</sup>

In support of the *Joint Application*, the Applicants respectfully show as follows:

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<sup>1</sup> Tenn. Code Ann. § 65-29-130(a) provides as follows:

(a) Cooperatives and foreign corporations engaged in rendering telephone service in this state pursuant to this chapter fall within the jurisdiction of the

## **I. PARTIES**

Yorkville Cooperative is a Tennessee telephone cooperative corporation with principal offices located at 4 Newbern Highway, Yorkville, Tennessee 38389. Yorkville Cooperative is organized under the Tennessee Telephone Cooperative Act, Tenn. Code Ann. §§ 65-29-101 *et seq.* YCOM is a Tennessee corporation with principal offices located at 4 Newbern Highway, Yorkville, Tennessee 38389. YCOM, a wholly-owned subsidiary of Yorkville Cooperative, is duly authorized by the Authority as a long distance reseller in Tennessee.<sup>2</sup>

West Kentucky Cooperative, with principal offices located at 237 North 8th Street, Mayfield, Kentucky 42066, is a Kentucky corporation providing services in Tennessee as a telephone cooperative pursuant to Tenn. Code Ann. § 65-29-128. West Kentucky Cooperative has been providing quality and reliable telecommunications services since the early 1950s. West Kentucky Cooperative, and its affiliate(s), offer a full array of telecommunications services and support to the communities that they serve in both Tennessee and Kentucky. Hence, West Kentucky Cooperative has the requisite technical, financial and managerial capabilities to acquire certain assets of Yorkville

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Tennessee Regulatory Authority for the sole and specific purposes as set out below:

(1) The establishment of territorial boundaries;

...

(3) The approval of sales and purchases of operating telephone properties.

It is unclear whether the foregoing provisions mandate TRA approval of the transactions set forth in this *Joint Application*. Without conceding that approval is so mandated, to the extent required, the Applicants submit this *Joint Application* for expedited approval in an abundance of caution.

Cooperative and to ensure the seamless transition in the provision of telecommunications services from Yorkville Cooperative to West Kentucky Cooperative.

Networks is a Kentucky corporation with principal offices located at 237 North 8th Street, Mayfield, Kentucky 42066. Networks, a wholly-owned subsidiary of West Kentucky Cooperative, is authorized as a long distance reseller in Tennessee<sup>3</sup> and also provides internet services. As previously confirmed by the Authority when it granted Networks a Certificate of Convenience and Necessity as a reseller of telecommunications services in Tennessee, Networks has the requisite technical, financial and managerial capabilities to acquire certain assets of Yorkville Cooperative and YCOM and to ensure the seamless transition in the provision of telecommunications services.

The authorized representatives of the *Joint Applicants* in this proceeding are as follows. All inquiries, correspondence, notices and copies of pleadings should be sent to Applicants' counsel:

Melvin J. Malone  
Gray Sasser  
Miller & Martin, PLLC  
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Attorneys for Yorkville Telephone Cooperative, Inc. and Yorkville Communications, Inc.

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<sup>2</sup> See Order, TRA Docket No. 00-00023 (March 14, 2000) (Authority granted YCOM a Certificate of Convenience and Necessity).

<sup>3</sup> See Order, TRA Docket No. 99-00155 (Jan. 25, 2000) (Authority granted Networks a Certificate of Convenience and Necessity).

-and-

Gayle Robbins  
101 South Seventh Street  
Mayfield, Kentucky 42066

Attorney for West Kentucky Rural Telephone Cooperative  
Corporation, Inc. and West Kentucky Networks, Inc.

## II. DESCRIPTION OF TRANSACTION

In accordance with that certain Asset Purchase Agreement dated April 10, 2006 (the "Yorkville Cooperative Sale Agreement"), by and among Yorkville Cooperative, West Kentucky Cooperative and Networks, Yorkville Cooperative will, among other things, sell substantially all of its assets to West Kentucky Cooperative and Networks. A copy of the Yorkville Cooperative Sale Agreement is attached hereto as **Exhibit A** and provided under seal as **CONFIDENTIAL AND PROPRIETARY**. In accordance with that certain Asset Purchase Agreement dated April 10, 2006 (the "YCOM Sale Agreement"), between YCOM and Networks, YCOM will, among other things, transfer its long distance customers, and any assets related to its provisioning of resold long distance services, to Networks.<sup>4</sup> A copy of the YCOM Sale Agreement is attached hereto as **Exhibit B** and provided under seal as **CONFIDENTIAL AND PROPRIETARY**.<sup>5</sup>

Consistent with the by-laws of Yorkville Cooperative<sup>6</sup> and state law,<sup>7</sup> both the Board of

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<sup>4</sup> The YCOM Sale Agreement has been submitted to the Authority in a separate filing pursuant to Tenn. Code Ann § 65-4-112 and Authority Rule 1220-4-2-.56(2)(d) *See In Re Joint Application of Yorkville Communications, Inc and West Kentucky Networks, Inc d/b/a wk net for Transfer of Customer Base and Other Assets*, TRA Docket No. 06-00125.

<sup>5</sup> The Yorkville Cooperative Sale Agreement and the YCOM Sale Agreement will be referred to collectively as the "Agreements."

<sup>6</sup> The by-laws of Yorkville Cooperative provide, in part, as follows:

[T]he Board may upon the authorization of a majority of those members of the YORKVILLE TELEPHONE COOPERATIVE present at a meeting of the members thereof, sell, lease, or otherwise dispose of all or a substantial portion of its property to

Directors of Yorkville Cooperative and the membership of Yorkville Cooperative have formally approved the transactions set forth in the Agreements.<sup>8</sup>

Subsequent to the transfers under the Agreements, both Yorkville Cooperative and YCOM will, after a wind-down period, cease telecommunications operations and be dissolved. The number of wireline Tennessee consumers affected by the transactions set forth in the Yorkville Cooperative Sale Agreement is approximately 1800, while the number of wireline Tennessee consumers affected by the transactions set forth in the YCOM Sale Agreement is approximately 2,210.

The transfers under the Agreements will be transparent to the affected customers and will not alter the manner or quality of service that Yorkville Cooperative's and YCOM's customers enjoy. The transfers will also have no effect on the operations of West Kentucky Cooperative or Networks in Tennessee, and, with respect to resold long distance services, Networks will continue to provide services in Tennessee pursuant to its existing Tennessee certification.<sup>9</sup>

### **III. RATIONALE FOR THE TRANSACTIONS**

Since October 2004, Yorkville Cooperative has not been able to satisfy its debt service obligations to its two (2) largest creditors: the Rural Utilities Services, which is an agency of the United States Department of Agriculture ("RUS"); and the Rural Telephone

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another cooperative or foreign corporation doing business in this State pursuant to the act under which the YORKVILLE TELEPHONE COOPERATIVE is incorporated.

<sup>7</sup> The Tennessee Telephone Cooperative Act, Tenn. Code Ann. §§ 65-29-101 *et seq.*, as recently amended in 2006, requires that any sale of substantially all the assets of Yorkville Cooperative be approved by at least two-thirds of the members voting.

<sup>8</sup> See **Collective Exhibit C** attached hereto. Prior to the vote of the members of Yorkville Cooperative, they were provided with detailed information regarding the transactions.

<sup>9</sup> In order to timely close the transactions to the mutual satisfaction of all parties involved, it is necessary that the Applicants secure any required regulatory approval on an expedited basis.

Finance Corporation ("RTFC"). As of March 31, 2006, Yorkville Cooperative owed RUS more than \$10 million and RTFC approximately \$2 million. Because Yorkville Cooperative could not satisfy its obligations to RUS and RTFC, both institutions had the ability to declare Yorkville Cooperative in default and to possibly force it into bankruptcy.

Under the supervision of, and with the authority of, Yorkville Cooperative's Board of Directors, however, Yorkville Cooperative has negotiated settlement agreements with both RUS and RTFC. RUS has agreed to settle its debt with Yorkville Cooperative for \$6,064,000, plus the liquidated value of Yorkville Cooperative's stock in the Rural Telephone Bank. In addition, any cash remaining in Yorkville Cooperative's account as of its dissolution shall be delivered to RUS in exchange for its release. RTFC has agreed to settle its debt for \$350,000. RUS and RTFC have also agreed to forbear from exercising their respective creditor's rights for a specified period of time. Yorkville Cooperative's Board of Directors has concluded that it is in the best interest of the members that they continue to have the ability to purchase telephone services from a telephone cooperative, and the transactions set forth in the Agreements, coupled with the subsequent settlements with RUS and RTFC, enable the members to be serviced, on an ongoing basis, by a telephone cooperative and avoids the possibility of, among other things, the assets of Yorkville Cooperative being sold piecemeal.

#### **IV. EFFECT OF THE TRANSACTIONS ON YORKVILLE COOPERATIVE AND ITS MEMBERS**

Assuming that the various conditions set forth in the Agreements are met, the majority of the members of Yorkville Cooperative will cease to be members of Yorkville Cooperative immediately upon the closing. The Yorkville Cooperative Sale Agreement mandates that all members who purchase wireline telephone services from Yorkville Cooperative shall be admitted as members of West Kentucky Cooperative without the payment of any membership or other fee simultaneously with the closing of the transactions. Those members who purchase only wireless telephone services from Yorkville Cooperative will not be admitted as members of West Kentucky Cooperative, but West Kentucky Cooperative is obligated, pursuant to the Yorkville Cooperative Sale Agreement, to continue to provide wireless service to such former members of Yorkville Cooperative for so long as West Kentucky Cooperative, or its affiliates, provide wireless phone services in the territory formerly served by Yorkville Cooperative or its affiliates.

As soon as practicable following the consummation of the transactions, Yorkville Cooperative's Board of Directors (who shall be the only remaining members of Yorkville Cooperative after the consummation of the transactions) shall proceed with winding-up and dissolving Yorkville Cooperative, and YCOM will be dissolved as well.

#### **V. EVALUATION OF PURCHASE PRICE**

Yorkville Cooperative retained JSI Capital Advisors ("JSICA") to value its wireline assets in connection with the transactions and settlement with RUS, but such valuation did not include the wireless assets, as no ready market exists for such assets. Additionally, RUS commissioned the Business Valuation Center for a valuation of the



wireline and wireless assets of Yorkville Cooperative in connection with negotiating the settlements with RUS and RTFC.

## **VI. CUSTOMER NOTIFICATION**

The Applicants have taken appropriate measures to notify the affected customers of the transfers set forth in the Agreements.<sup>10</sup> The notice letter informs affected customers that they have the right to switch to the carrier of their choice and if they wish to transfer to a carrier other than West Kentucky Cooperative or Networks, they should do so in a timely manner to ensure the seamless transfer of their service(s) to the new carrier. The customers are further informed that if they wish to switch to a carrier other than West Kentucky Cooperative or Networks, they may incur a transfer fee. The notice letter also clearly states that if the customer consents to the change of carrier to West Kentucky Cooperative or Networks, no customer action is required for the transfer to occur, the customer's current plan, rates,<sup>11</sup> features, terms and conditions of service will transfer, and the customer will not incur any charges for the transfer of service. Also, the letter lists a toll-free customer service number in the event that affected customers have any questions regarding the transfer. The notice letter is attached hereto as **Exhibit D**.

The Applicants intend to provide the affected customers with the afore-referenced notice letter at least thirty (30) days prior to implementation of the transfers. Although Applicants have attempted to include in the notice letter all relevant state and federal customer notification and consent requirements, Applicants respectfully request, to the

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<sup>10</sup> See *In Re Joint Application of Yorkville Communications, Inc. and West Kentucky Networks, Inc. d/b/a wk net for Transfer of Customer Base and Other Assets*, TRA Docket No. 06-00125.

<sup>11</sup> In accordance with Authority Rule 1220-4-2-.56(2)(d)(4), and as provided in **Exhibit D**, Networks will provide to the affected customers a thirty (30) day written notice of any rate increase that may affect their service up to ninety (90) days from the date of the transfer of customers.

extent necessary, that the Authority grant a waiver of any applicable anti-slamming regulations that may possibly be violated by the transfer being made without specific authorization from each affected customer.

## **VII. PUBLIC INTEREST CONSIDERATIONS**

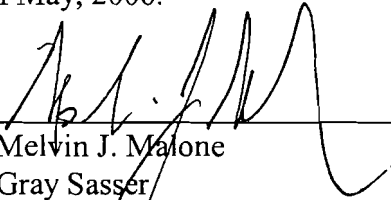
Under the circumstances presented, the public interest will be served by the sale of substantially all of the assets of Yorkville Cooperative and YCOM to West Kentucky Cooperative and Networks. As set forth earlier herein, both West Kentucky Cooperative and Networks are experienced and qualified telecommunications providers and both have the technical, financial and managerial capabilities to provide quality service to both Yorkville Cooperative's customers and to YCOM's customers.

TRA approval of the proposed transfers will serve the public interest in promoting the continuation of uninterrupted services, products and carrier expertise. Further, the desire of Yorkville Cooperative's Board of Directors to ensure that its customers, and the customers of its affiliate, continue to receive telecommunications services from a cooperative, or its affiliate(s), would be satisfied. Accordingly, TRA approval of the transfers is in the public interest.

## **VIII. CONCLUSION**

For the foregoing reasons, and to the extent required under Tenn. Code Ann. § 65-29-130(a), Yorkville Cooperative, YCOM, West Kentucky Cooperative, and Networks request that the TRA approve the sale of substantially all of the assets of Yorkville Cooperative and YCOM to West Kentucky Cooperative and Networks on an expedited basis.

Respectfully submitted this 2nd day of May, 2006.



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150 Fourth Avenue, North  
Nashville, Tennessee 37219-2433

Attorneys for Yorkville Telephone  
Cooperative, Inc. and Yorkville  
Communications, Inc.

Gayle Robbins  
101 South Seventh Street  
Mayfield, Kentucky 42066

Attorney for West Kentucky Rural  
Telephone Cooperative Corporation, Inc.  
and West Kentucky Networks, Inc.

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# COLLECTIVE EXHIBIT C

## RESOLUTIONS OF BOARD OF DIRECTORS OF YORKVILLE TELEPHONE COOPERATIVE

COPY

RESOLVED, that the board of directors of Yorkville Telephone Cooperative, a Tennessee Telephone cooperative (the "Cooperative"), hereby calls a special meeting of the members of the Cooperative to be held at 6 p.m. on April 27, 2006 at the Yorkville Community Center in Yorkville, Tennessee.

FURTHER RESOLVED, that the board of directors hereby recommends to the members of the Cooperative that the members, at such special meeting, approve:

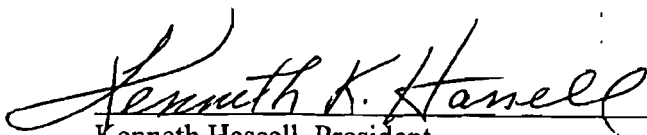
The sale of substantially all the assets of the Cooperative and its wholly-owned subsidiary, Yorkville Communications, Inc., to West Kentucky Rural Telephone Cooperative Corporation, Inc. ("West Ky."), and its wholly-owned subsidiary, West Kentucky Networks, Inc. ("Networks"), pursuant to which the majority of the existing members of the Cooperative will cease to be members of the Cooperative and instead will purchase phone service from West Ky. or Networks (the "Transaction"); and

The amendment to Article I, Section 7(c) of the Cooperative's bylaws to delete and remove the requirement that membership fees be refunded to Cooperative members upon the termination of such members' membership in the Cooperative (the "Amendment").

FURTHER RESOLVED, that any and all actions undertaken by the officers of the Cooperative in connection with the Transaction or the Amendment (including without limitation the execution and delivery of one or more Asset Purchase Agreements or Settlement Agreements with the Cooperative's existing creditors) are hereby ratified, approved and accepted.

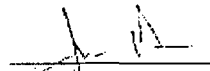
FURTHER RESOLVED, that the officers of the Cooperative hereby are authorized and empowered to take any and all necessary actions, which may be required of them or which may be in the best interest of the Cooperative, to complete all transactions necessary or deemed necessary, in the sole and absolute discretion, by the officers of the Corporation with regard, but not limited, to the Transaction and the Amendment, in order to implement the purposes of these Resolutions and that all such actions are hereby ratified, adopted, approved and affirmed.

IN WITNESS WHEREOF, the undersigned as the President of the Cooperative hereby certifies that the foregoing resolutions were duly adopted by the Board of Directors of the Cooperative on this 10<sup>th</sup> day of April, 2006.

  
Kenneth Hassell, President

## ELECTION OFFICER'S CERTIFICATE

The undersigned, being the duly appointed and acting Election Officer of Yorkville Telephone Cooperative, a Tennessee telephone cooperative, hereby certifies that the number of members present in person or by proxy at the Special Meeting of the Members held on April 27, 2006 was 228; the number of members voting in person or by proxy for the Approval of the Asset Sale was 224; the number of members voting in person or by proxy against the Approval of the Asset Sale was 3; the number of members voting in person or by proxy for the Approval of the Amendment of the Bylaws was 221; and the number of members voting in person or by proxy against the Approval of the Amendment of the Bylaws was 7.

  
Jiff Horne, CPA

Date: 4/27/06



## EXHIBIT D

Dear Subscriber:

West Kentucky Rural Telephone Cooperative Corporation, Inc. ("West Kentucky") is pleased to report that it is progressing toward finalizing its purchase of the assets of Yorkville Telephone Cooperative, Inc., ("YTC"). At the same time, West Kentucky's affiliate, West Kentucky Networks, Inc. dba wk.net ("Networks") is finalizing its purchase of the long distance and internet assets of YTC's subsidiary, Yorkville Communications, Inc. ("YCI"). The parties anticipate that the transaction will be concluded on or about May 31, 2006.

On the closing date, on or about May 31, 2006, YTC local customers will become local exchange and exchange access subscribers of West Kentucky, and the long distance and internet subscribers of YCI will become subscribers of Networks, unless they have made other arrangements. All services previously received from YTC and YCI will continue without interruption, and without any charges to you that result solely from the change in ownership. Your phone number will not change. To the extent that any fees are charged to a subscriber for changing service to West Kentucky or Networks, West Kentucky will pay such charges.

As we complete this process, it is important to us that you fully understand your rights as a consumer. You do have a choice of carriers, and you have the right to select a different service provider for any or all of the telecommunications services offered – local, intrastate, interstate and international long distance telephone services if an alternative carrier is available. If you choose to seek an alternative carrier for services, you may incur a fee for transfer of services. If you choose to select an alternate carrier, please do so in a timely manner to ensure that you do not experience any interruptions in your services.

Unless you select a different long distance service provider before the transfer date (even if you have arranged for a preferred carrier freeze with YTC), Networks will continue to provide the intrastate, interstate and international telephone service to you at the rates, and under the same terms and conditions, as those currently offered by YCI. If a subsequent rate increase is contemplated, Networks will provide you with at least thirty days' written notice of such increase for a period not less than ninety (90) days from the date of transfer of customers.

Please note that if you currently obtain local service from YTC and long distance service from a company other than YCI, your chosen long distance carrier will remain your long distance provider after the sale has been completed, unless you request another arrangement prior to the transaction date.

As noted above, if you are currently a YCI long distance customer, Networks will automatically become your new long distance company ***even if you have a preferred carrier freeze in place, unless*** you select a different carrier before the transfer date. Your existing preferred carrier freeze will be lifted, and you must contact West Kentucky to arrange a new freeze.

West Kentucky will become responsible for all service and repair issues as of the date that its transactions with the Yorkville companies close, and the Yorkville companies will continue to respond to any issues or concerns related to the service provided prior to this date.

Please feel free to contact us at the following toll free number: \_\_\_\_\_. The West Kentucky companies are looking forward to serving your telecommunications needs.

Sincerely,

Yorkville Telephone Cooperative, Inc.  
Yorkville Communications, Inc.  
West Kentucky Rural Telephone Cooperative  
Corporation, Inc.  
West Kentucky Networks, Inc. d/b/a wk.net

