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September 10, 2010

**VIA ELECTRONIC MAIL AND
HAND DELIVERY**

Chairman Sara Kyle
c/o Ms. Sharla Dillon
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

filed electronically in docket office on 09/10/10

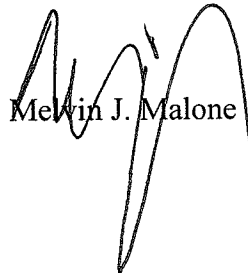
RE: Expedited Joint Application of Highland Communications Corporation and
Highland Media Corporation Regarding Internal Corporate Restructuring, Docket
No. 10-00169.

Dear Chairman Kyle:

Enclosed please find an original and five (5) copies of Applicants' Response to the Tennessee Regulatory Authority's Data Request No. 1. Applicants have also transmitted this submission electronically to the Authority. Please stamp a copy of this Response as "filed" and return it to me by way of our courier.

Should you have any questions concerning any of the enclosed, please do not hesitate to contact me.

Very truly yours,



Melvin J. Malone

ENCLOSURES

cc: Ernest A. Petroff, Esq.
Mr. G. M. Patterson
Mr. F. L. Terry

Docket No. 10-00169: Joint Application of Highland Communications Corporation and Highland Media Corporation Regarding Internal Corporate Restructuring

**Tennessee Regulatory Authority Data Request No. 1 to Applicants,
Dated August 31, 2010**

Q1: Have the Applicants filed similar transaction applications or notices in other states? If so, provide a listing of states and action taken.

A: The Applicants will provide notice to the Kentucky Public Service Commission of the transactions described in the *Joint Application*.

Q2: Have the Applicants filed similar applications with the FCC? If not, is the transaction described in the *Joint Application* considered *pro forma* under FCC rules? If the Applicants have filed an application with the FCC, discuss any action taken by the FCC, and provide the docket number assigned by the FCC. If a schedule to complete the review of the filing has been established by the FCC, provide such with your response.

A: No, the Applicants have not filed similar applications with the FCC because the transactions described in the *Joint Application* are considered *pro forma* under FCC rules.

Q3: It does not appear that the customer notification letter attached as Exhibit F contains language reflecting the content of TRA Rule 1220-4-2-.56(2)(d)(4). Please explain how the customer notification letter is compliant with TRA Rule 1220-4-2-.56(2)(d)(4). In the alternative, provide a revised customer notification letter information customers that Highland Communications LLC will provide customers a thirty day written notice of any

rate increase that may affect their service up to ninety days from the date of the transfer of customers.

A: The Applicants issued a customer notification letter substantially similar to, if not the same, as Exhibit F to the *Joint Application* to customers on August 30, 2010. The Applicants issued a revised customer notification letter, a draft of which is attached hereto as Annex A, to customers on September 1, 2010.

Q4: Provide the Agreement and Plan of Merger for the proposed transaction.

A: The draft Agreement and Plan of Merger is attached hereto as Annex B.

Q5: Provide a \$20,000 corporate surety bond, irrevocable letter of credit or sufficient documentation to demonstrate compliance with T.C.A. § 65-4-125 for Highland Communication LLC.

A: Due to the nature of the transactions described in the *Joint Application*, Highland Communications LLC will be formed simultaneously with the merger of Highland Communications Corporation with and into Highland Media Corporation, each occurring on September 30, 2010. This delay in formation is because, until the merger occurs, the name Highland Communications LLC is not available under the records of the Secretary of State for the State of Tennessee as it is currently being used by Highland Communications Corporation. A letter of credit cannot be issued to Highland Communications LLC until its

formation. However, attached hereto as **Annex C** is a good faith letter from Regions Bank (formerly, Union Planters Bank, N.A.) confirming that it will issue a letter of credit in the name of Highland Communications LLC effective October 1, 2010. As stated in such good faith letter, the terms and conditions of the new letter of credit will be substantially similar, if not the same, to the terms and conditions of the current letter of credit issued to Highland Communications Corporation, as approved by the Authority. Highland Communications LLC will file the new letter of credit with the Authority on October 1, 2010.

Q6: Provide a copy of the licenses to do business in Tennessee of Highland Communications LLC and Highland Media LLC.

A: Highland Communications LLC and Highland Media LLC are currently not required to have a license to do business in Tennessee for two reasons. First, as described above, the entities are not yet formed; therefore, obtaining a business license is not possible. Second, both entities will be headquartered in Morgan County, Tennessee, and Morgan County does not require a business license. Therefore, even after formation, Highland Communications LLC and Highland Media LLC will not be required to have a license to do business in Tennessee.

Q7: Will Highland Communications LLC adopt the existing tariff of Highland Communications Corporation?

A: Yes, Highland Communications LLC will adopt the existing tariff of Highland Communications Corporation.

Q8: The Applicants request approval of the transaction described in the *Joint Application* pursuant to T.C.A. § 65-4-112 and T.C.A. § 65-4-113. Comment on the applicability of T.C.A. § 7-59-304(a)(5)(A) to the portion of the transaction involving the transfer of the state-issued certificate of franchise authority held by Highland Media Corporation.

A: We provided information relating to the proposed transfer of the state-issued certificate of franchise authority held by Highland Media Corporation for information purposes only as the Authority does not have jurisdiction over such transfer. However, the Applicants will comply and adhere in all respects to any and all applicable laws, rules and regulations with respect to such transfer, including applicable notice requirements.

ANNEX A

Revised Customer Notification Letter.

(attached)



August 31, 2010

**IMPORTANT (SECOND) NOTICE REGARDING YOUR
HIGHLAND COMMUNICATIONS CORPORATION SERVICES**

Dear Highland Communications Customer,

You recently received a joint letter from Highland Communications Corporation and Highland Communications LLC regarding the transfer of customers from Highland Communications Corporation to Highland Communications LLC. This letter is similar to the previous letter, except for the important provision below relating to Highland Communications LLC's requirement to provide thirty (30) days notice to you should any rate increase occur within ninety (90) days of the transfer described below (and in the previous letter). This additional provision is **underlined** and in **boldface type** below.

We are contacting you and other customers to let you know of an upcoming change to your long distance services. Highland Communications Corporation will be transferring all of its customers to Highland Communications LLC, a new company, on September 30, 2010, or shortly thereafter.

You will retain your current plan, rates, features, Terms and Conditions of Service and your current customer service numbers. Your current plans, rates, features, Terms and Conditions of Service, and customer service numbers are enclosed with this letter. It is important to both Highland Communications Corporation and Highland Communications LLC that you continue to receive uninterrupted phone service at the level you have come to expect and deserve. Highland Communications LLC is a new company that will be an indirect, wholly owned subsidiary of Highland Telephone Cooperative, Inc. Highland Communications LLC will provide the same services that you currently receive from Highland Communications Corporation. **Simply, the name of the company providing your service will change, but nothing else will change.**

Highland Communications LLC will pay any and all fees and charges associated with the transfer of services from Highland Communications Corporation to Highland Communications LLC. Accordingly, you will not incur any charges for the transfer of services to Highland Communications LLC, and no action is required from you regarding this changeover. Your phone number will not change and your service will be automatically transferred to Highland Communications LLC on September 30, 2010. For any disputes with charges or services after September 30, 2010, you may contact Highland Communications LLC, at current number of 423-346-4050.

Highland Communications LLC, will provide thirty (30) days written notice to you of any rate increase that may affect your service up to ninety (90) days after your service is transferred from Highland Communications Corporation to Highland Communications LLC. As stated above, your rates will not change as a result of this transaction, and you will keep your current rates and services unless you choose to change your services.

All customers have a choice in carriers for their local and long distance service. 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 contact the new carrier prior to September 15th, 2010 to ensure no interruptions to your service. A list of most local and long distance service providers is typically available in your local telephone directory. You may contact a Highland Communications Corporation customer service representative for residential

service at 423-346-4050 and for small business at 423-346-4050 if you have questions or need assistance. Written correspondence can be sent to Highland Communications Corporation, PO Box 1278, 119 Hillcrest Street, Wartburg, Tennessee 37887.

Any PIC freeze on your Highland Communications Corporation services will be automatically removed to enable a switch in services. A PIC freeze which may exist on your line(s) of service today will not transfer to Highland Communications LLC. If you wish to reestablish a PIC freeze, please contact Highland Communications LLC after September 30, 2010.

Highland Communications Corporation and Highland Communications LLC have notified the FCC & the Tennessee Regulatory Authority regarding the intent to transfer services to Highland Communications LLC. The Tennessee Regulatory Authority will normally authorize this proposed transfer of service unless customers show they will be unable to receive service or a reasonable substitute from another carrier or that the public convenience and necessity will be otherwise adversely affected. If you wish to object, you should file your comments within 15 days of receipt of this notification. Address complaints to the Tennessee Regulatory Authority, 460 James Robertson Parkway, Nashville, TN 37243, referencing the Application of Highland Communications Corporation and/or Application of Highland Communications LLC. Comments should include specific information about the impact of this proposed transfer upon you and/or your company, including any inability to acquire reasonable substitute service.

Thank you for choosing Highland Communications Corporation. It has been our privilege to provide this service to you. Highland Communications LLC welcomes you and looks forward to providing you with reliable, innovative communication services for years to come.

Sincerely,

G.M. Patterson
General Manager
Highland Communications Corporation and Highland Communications LLC

List of Calling Plans

Residential Plans

.15 cents per minute
.10 cents per minute
.07 cents interstate/.10 intrastate
25% discount (on no plan calls)
600 minutes per month interstate

Monthly Fee

no monthly charge
\$4.95 per month
\$8.95 per month
no monthly charge
\$22.95 per month

Business Plans

.19 cents per minute
.10 cents per minute

Monthly Fee

no monthly charge
\$6.95 per month

You may modify or cancel your calling plan at any time by calling customer service, 423-346-4050.

ANNEX B

Agreement and Plan of Merger.

(attached)

HIGHLAND MEDIA CORPORATION
AND
HIGHLAND COMMUNICATIONS CORPORATION

AGREEMENT AND PLAN
OF
MERGER

SEPTEMBER __, 2010

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this "Agreement") is made and entered into this ____ day of September, 2010, by and between Highland Media Corporation, a Tennessee corporation ("Highland Media"), and Highland Communications Corporation, a Tennessee corporation ("Highland Communications"). Highland Media and Highland Communications are sometimes referred to herein collectively as the "Constituent Entities."

RECITALS

WHEREAS, Highland Media is a corporation duly organized and validly existing under the laws of the State of Tennessee, having been incorporated on November 9, 2005, and Highland Communications, is a corporation duly organized and validly existing under the laws of the State of Tennessee, having been incorporated on May 9, 1996; and

WHEREAS, the Board of Directors of each of Highland Media and Highland Communications; Highland Telephone Cooperative Inc. ("Highland Cooperative"), as the sole shareholder of Highland Communications and as the sole shareholder of Highland Media, have determined that it is advisable and in the best interests of Highland Media and Highland Communications, and their respective shareholder(s), for Highland Communications to merge with and into Highland Media, with Highland Media to be the surviving entity of such merger; and

WHEREAS, in furtherance of the foregoing, Highland Media and Highland Communications hereby agree to the merger of Highland Communications with and into Highland Media upon the terms and conditions and in the manner set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements, provisions, and covenants herein contained, and the mutual benefits to be derived therefrom, the parties hereby covenant and agree as follows:

1. **The Merger.**

A. At the Effective Time (as defined below), Highland Communications shall be merged with and into Highland Media upon the terms and subject to the conditions described herein, with Highland Media being the surviving entity of such merger (the "Merger"). Except as provided by statute, at the Effective Time, the separate existence of Highland Communications shall cease. Highland Media, as the surviving entity of the Merger, is sometimes referred to herein as the "Surviving Corporation."

B. At the Effective Time, the Surviving Corporation shall succeed to, without further act, deed, or transfer, and shall possess and enjoy all of the rights, privileges, immunities, powers, certificates and franchises of both a public and a private nature, and be subject to all of the restrictions, disabilities, and duties, of each of the Constituent Entities. All of the rights, privileges, immunities, powers, certificates and franchises of each of the Constituent Entities and all property, real, personal, and mixed, tangible and intangible, and all debts due to either of the

Constituent Entities on whatever account, for stock subscriptions as well as for all other things in action or belonging to each of the Constituent Entities, shall be vested in the Surviving Corporation. All property, rights, privileges, immunities, powers, certificates and franchises and all and every other interest shall be thereafter the property of the Surviving Corporation as they were of the respective Constituent Entities. The title to any real estate vested by deed or otherwise in either of the Constituent Entities shall not revert or be in any way impaired by reason of the Merger; provided, however, that all rights of creditors and all liens upon any property of either of the Constituent Entities shall be preserved unimpaired, limited in lien to the property affected by such liens at the Effective Time of the Merger, and all debts, liabilities, and duties of the Constituent Entities, respectively, shall attach to the Surviving Corporation and may be enforced against the Surviving Corporation to the same extent as if such debts, liabilities, and duties had been incurred or contracted by the Surviving Corporation.

C. The parties hereby agree, respectively, that they will execute and deliver, or cause to be executed and delivered, all such deeds and other instruments and will take or cause to be taken such further or other action as the Surviving Corporation may deem necessary or desirable in order to vest or perfect in or confirm to the Surviving Corporation title to and possession of all of the property, rights, privileges, powers, immunities, certificates (including, without limitation, obtaining all necessary regulatory approvals of every kind and nature) franchises, and interests referred to in this Section 1 of this Agreement and otherwise to carry out the intent and purpose of this Agreement.

2. Articles of Merger and Effective Time. As soon as reasonably practicable after the execution of this Agreement, the Constituent Entities shall execute articles of merger substantially in the form of the articles of merger attached hereto as Exhibit A and incorporated herein (the "Articles of Merger") for filing, as appropriate, with the Secretary of State of the State of Tennessee. The Merger shall become effective on the date and at the time of the acceptance for filing by the Secretary of State of the State of Tennessee of the Articles of Merger, or on such later date and/or at such later time as may be mutually agreed upon in writing by the parties (the "Effective Time"). Such filing of the Articles of Merger shall be made as soon as reasonably practicable after all of the requirements for the consummation of the Merger under applicable Tennessee law have been satisfied, including, without limitation, obtaining all regulatory approvals and consents and providing notification to all such governmental agencies and/or bodies as may be required.

3. Board of Directors of Surviving Corporation. The Board of Directors of the Surviving Corporation shall be the same as the Board of Directors of Highland Media immediately prior to the Effective Time of the Merger.

4. Effect of Merger on Shares of the Capital Stock of the Constituent Entities.

A. At the Effective Time, by virtue of the Merger and without any action on the part of Highland Media, Highland Communications, any holder of the capital stock of Highland Media or Highland Communications, or any other party, each share of the capital stock of Highland Communications issued and outstanding immediately prior to the Effective Time automatically shall be cancelled and shall cease to exist, and each certificate previously

representing any such shares of Highland Communications stock shall, without any further action, be cancelled.

B. Each share of the capital stock of Highland Media issued and outstanding immediately prior to the Effective Time shall at and after the Effective Time remain issued and outstanding and shall not be affected by the Merger.

5. Termination of Agreement. Anything herein or elsewhere to the contrary notwithstanding, this Agreement may be terminated and the Merger abandoned prior to the Effective Time by the mutual agreement of the Boards of Directors of Highland Media and Highland Communications.

6. Amendment. This Agreement may be amended or modified only by a written instrument executed by each of the parties hereto.

7. Counterparts. This Agreement may be executed by facsimile or electronic transmission and in any number of counterparts, each of which shall be deemed to be an original instrument and all of which, when taken together, shall constitute but one and the same agreement.

8. Entire Agreement. This Agreement constitutes the entire agreement between and understanding of the parties hereto and supersedes any and all other prior agreements, arrangements, negotiations, and understandings, whether oral or written, between the parties with respect to the subject matter hereof.

9. Assignment. Neither this Agreement nor any interest of a party in or under this Agreement shall be assignable.

10. Governing Law. This Agreement shall be governed by and construed in accordance with the substantive laws of the State of Tennessee, without regard to its laws concerning choice of law.

11. Headings. The section headings used in this Agreement are for convenience of reference only and shall not in any way affect, or be deemed to affect, the meaning or interpretation of this Agreement or any of the terms or provisions hereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the Constituent Entities, pursuant to and in conformity with duly adopted resolutions of their respective Boards of Directors, have caused this Agreement and Plan of Merger to be executed in their respective names and by their respective duly elected officers as of the date first above written.

HIGHLAND MEDIA CORPORATION

By: _____
F.L. Terry, General Manager

HIGHLAND COMMUNICATIONS
CORPORATION

By: _____
G. M. Patterson, General Manager

EXHIBIT A

ARTICLES OF MERGER

**ARTICLES OF MERGER
OF
HIGHLAND MEDIA CORPORATION
AND
HIGHLAND COMMUNICATIONS CORPORATION**

Pursuant to the provisions of Section 48-21-107 of the Tennessee Business Corporation Act, Tennessee Code Annotated Section 48-11-101, *et seq.*, the undersigned, Highland Media Corporation, a Tennessee corporation ("Highland Media"), and Highland Communications Corporation, a Tennessee corporation ("Highland Communications"), hereby submit for filing the following Articles of Merger:

1. A copy of the Agreement and Plan of Merger (the "Plan of Merger") dated September __, 2010, by and between Highland Media and Highland Communications, pursuant to which Highland Communications will be merged with and into Highland Media, with Highland Media being the surviving entity of the merger, is attached hereto as Exhibit A and incorporated herein by reference.

2. As to Highland Media, the Plan of Merger was duly approved and adopted by the sole shareholder of Highland Media by Action on Written Consent dated September __, 2010, and:

(i) The designation, number of outstanding shares, and number of votes entitled to be cast by each voting group entitled to vote separately on the Plan of Merger were:

<u>Designation</u>	<u>Outstanding Shares</u>	<u>Votes Entitled to be Cast</u>
Common Stock	2,000	2,000

(ii) The total number of undisputed votes cast for the Plan of Merger by the sole shareholder of Highland Media common stock was 2,000, and said number of undisputed votes was sufficient for the approval of the Plan of Merger by the holder(s) of Highland Media common stock.

3. As to Highland Communications, the Plan of Merger was duly approved and adopted by the sole shareholder of Highland Communications by Action on Written Consent dated September __, 2010, and:

(i) The designation, number of outstanding shares, and number of votes entitled to be cast by each voting group entitled to vote separately on the Plan of Merger were:

<u>Designation</u>	<u>Outstanding Shares</u>	<u>Votes Entitled to be Cast</u>
Common Stock	1,000	1,000

(ii) The total number of undisputed votes cast for the Plan of Merger by the sole shareholder of Highland Communications common stock was 1,000, and said number of undisputed votes was sufficient for the approval of the Plan of Merger by the holder(s) of Highland Communications common stock.

4. As to Highland Communications, the Plan of Merger and the performance of its terms were duly authorized by all action required by the laws of the State of Tennessee and the Articles of Incorporation of Highland Communications.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned corporations have caused these Articles of Merger to be executed by their respective duly authorized officers effective this __ day of September, 2010.

HIGHLAND MEDIA CORPORATION

By: _____
F.L. Terry, General Manager

HIGHLAND COMMUNICATIONS
CORPORATION

By: _____
G.M. Patterson, General Manager

ANNEX C

Good Faith Letter.

(attached)



September 10, 2010

Mr. Mark Patterson
Highland Communications Corporation
950 Main Street, Suite D
Wartburg, TN 37887
VIA ELECTRONIC MAIL: pattersonm@highland.net

RE: Letter of Credit

Dear Mr. Patterson:

Per our prior discussion, we understand that Highland Communications Corporation is contemplating an amendment to its name and legal structure to be Highland Communications LLC effective October 1, 2010. As you know, Regions Bank (formerly Union Planters Bank, N.A.) has previously issued a \$20,000.00 letter of credit on behalf of Highland Communications Corporation in favor of the Tennessee Regulatory Authority, which letter of credit is still outstanding.

Upon receipt of proper application documentation, Regions Bank will seek credit approval for issuance of a replacement letter of credit on behalf of Highland Communications LLC in favor of the Tennessee Regulatory Authority. If approved, the terms and conditions of said replacement letter of credit are anticipated to be substantially similar, if not the same, as the current letter of credit issued on behalf of Highland Communications Corporation.

This letter is for discussion purposes only and is not a commitment to lend by Regions Bank.

Please feel free to contact me at (865) 521-5974 if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Jared A. Hall".

Jared A. Hall, VP

Cc: File