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July 8, 2011

Via Hand-Delivery

Chairman Mary W. Freeman  
c/o Sharla Dillon  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243

filed electronically in docket office on 07/08/11

**Re:   *Joint Application of United Telephone Company, UTC Long Distance, LLC  
and United Communications Holdings, LLC Regarding Transfer of Control of  
United Telephone Company and UTC Long Distance, LLC***  
**Docket No. 11-00098**

Dear Chairman Freeman:

Enclosed please find an original and five (5) copies of United Telephone Company, UTC Long Distance, LLC and United Communications Holdings, LLC's Responses to the TRA's Data Request No. 1 issued June 30, 2011. This document also has been filed by way of email sent today with the Tennessee Regulatory Authority Docket Manager, Sharla Dillon.

Please stamp a copy of these data responses 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.

With kindest regards, I remain

Very truly yours,



R. Dale Grimes

RDG:cdk

Enclosures

cc:   Hon. Sara Kyle (w/o enclosure)  
      Hon. Eddie Roberson (w/o enclosure)

Chairman Mary Freeman

July 8, 2011

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Hon. Kenneth C. Hill (*w/o enclosure*)

Mr. David Foster, Chief of Utilities Division (*w/o enclosure*)

Richard Collier, Esq. (*w/o enclosure*)

Mr. Jerry Kettles, Chief of Economic Analysis & Policy Division (*w/o enclosure*)

Mr. Terry Wales

Mr. William Bradford

Andy McQueen, Esq.

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**UNITED TELEPHONE COMPANY, UTC LONG DISTANCE, LLC and UNITED  
COMMUNICATIONS HOLDINGS, LLC  
Docket No. 11-00098**

**Tennessee Regulatory Authority Staff Data Request No. 1**

**Question:**

1. Have the Applicants filed a similar application with the FCC? If so, list any action taken and the associated docket number. If a schedule to complete the review of the filing has been established by the FCC, provide such with your response.

**Response:**

The Applicants filed two applications with the FCC's Wireline Competition Bureau on June 24, 2011, for approval of the transfer of control of the Applicants' Domestic Section 214 authorizations. One application was for the transfer of control of United Telephone Company's domestic Section 214 authorization to United Communications Holdings, LLC ("UCH"), and the second was for the transfer of control of UTC Long Distance, LLC's domestic 214 authorization to UCH. The filings have been assigned one docket number, WC 11-107. The filings were supplemented on June 29, 2011, with responses to follow-up questions from the FCC staff. The FCC issued a Public Notice regarding the applications on June 30, 2011 (attached hereto as **Exhibit No. 1**), and established a streamlined pleading cycle for processing. Interested parties may file comments to the applications on or before July 14, 2011, and reply comments are due on or before July 21, 2011. Unless otherwise notified by the Commission, the Applicants may transfer control on the 31st day after the date of the Public Notice, or on July 31, 2011.

On June 23, 2011, UTC Long Distance, LLC also electronically filed an application with the FCC's International Bureau for approval of the transfer of control of its international Section 214 authorization to UCH. A Public Notice has not yet been issued regarding this application; however, if approved for

streamlined treatment, the Applicants may transfer control on the 14th day after the date of the Public Notice.



# PUBLIC NOTICE

Federal Communications Commission  
445 12<sup>th</sup> St., S.W.  
Washington, D.C. 20554

News Media Information 202 / 418-0500  
Internet: <http://www.fcc.gov>  
TTY: 1-888-835-5322

DA 11-1155

Released: June 30, 2011

**DOMESTIC SECTION 214 APPLICATIONS FILED FOR THE TRANSFER OF CONTROL OF  
UNITED TELEPHONE COMPANY AND UTC LONG DISTANCE, LLC  
TO UNITED COMMUNICATIONS HOLDINGS, LLC**

**STREAMLINED PLEADING CYCLE ESTABLISHED**

**WC Docket No. 11-107**

**Comments Due: July 14, 2011**

**Reply Comments Due: July 21, 2011**

On June 24, 2011, United Communications Holdings, LLC (UCH), United Telephone Company (UTC), and UTC Long Distance, LLC (UTC LD) (collectively, Applicants) filed applications pursuant to section 63.03 of the Commission's rules<sup>1</sup> to transfer control of UTC and UTC LD to UCH.

UTC, a Tennessee corporation, is a rural incumbent local exchange carrier (LEC) serving approximately 12,500 access lines in Bedford, Coffee, Davidson, Franklin, Marshall, Maury, Rutherford, and Williamson counties in Tennessee. UTC LD, a Tennessee limited liability company, provides resold interexchange service to customers of UTC in the same service area.<sup>2</sup> UCH, a Delaware limited liability company, is a newly formed holding company that does not provide telecommunications services. Applicants state that the following entity and individual hold a 10 percent or greater interest in UCH: MSouth Equity Partners, LP (MSouth), a U.S.-based investment entity (85.4 percent), and William H. Bradford, a U.S. citizen (10.6 percent). Applicants state that MSouth is controlled by its general partner, MSouth Equity Partners, GP, LLC, a Delaware limited liability company, that has the following managing members, all U.S. citizens: Mark L. Feidler, Michael D. Long, Bart A. McLean, and Peter S. Petit. None of the managing members has a 50 percent or greater interest in the general partnership. Neither MSouth nor MSouth Equity Partners GP, LLC has a direct or indirect ownership interest in any telecommunications carrier. Applicants further state that the only entity that owns at least 10 percent of the equity of MSouth is the Board of Regents of the University of Texas System, a U.S. based entity, that owns approximately 18.9 percent of MSouth.

<sup>1</sup> 47 C.F.R. § 63.03; *see* 47 U.S.C. § 214. Applicants are also filing applications for transfer of control associated with international authorizations. Any action on this domestic section 214 application is without prejudice to Commission action on other related, pending applications. Applicants filed supplements to their domestic section 214 applications on June 29, 2011.

<sup>2</sup> Applicants state that the following U.S. citizen and U.S. entity hold a 10 percent or greater interest in UTC: Edie Hofstead Cabaniss (11.9 percent) and Telephone and Data Systems, Inc. (9.9 percent) (rounded to the nearest one percent). Applicants further state that the following U.S. citizen and U.S. entity hold a 10 percent or greater interest in UTC LD: James Cabaniss (16.7 percent) and Mildred W. Nunn Residuary Trust (16.7 percent).

Pursuant to the terms of the proposed transaction, UTC Acquisition Company, Inc., a Tennessee corporation and wholly owned subsidiary of UCH, will merge with and into UTC with UTC surviving. UTC LD Acquisition Company, LLC, a Tennessee limited liability company and wholly-owned subsidiary of UCH, will merge with and into UTC LD with UTC LD surviving. UTC and UTC LD will be wholly owned subsidiaries of UCH. Applicants assert that the proposed transaction is entitled to presumptive streamlined treatment under section 63.03(b)(2)(ii) of the Commission's rules and that a grant of the application will serve the public interest, convenience, and necessity.<sup>3</sup>

Domestic Section 214 Applications Filed for the Transfer of Control of United Telephone Company and UTC Long Distance, LLC to United Communications Holdings, LLC, WC Docket No. 11-107 (filed June 24, 2011).

### **GENERAL INFORMATION**

The transfer of control identified herein has been found, upon initial review, to be acceptable for filing as a streamlined application. The Commission reserves the right to return any transfer application if, upon further examination, it is determined to be defective and not in conformance with the Commission's rules and policies. Pursuant to section 63.03(a) of the Commission's rules, 47 CFR § 63.03(a), interested parties may file comments **on or before July 14, 2011**, and reply comments **on or before July 21, 2011**. Unless otherwise notified by the Commission, the Applicants may transfer control on the 31<sup>st</sup> day after the date of this notice.<sup>4</sup> Comments should be filed using the Commission's Electronic Comment Filing System (ECFS). See *Electronic Filing of Documents in Rulemaking Proceedings*, 63 FR 24121 (1998).

- Electronic Filers: Comments may be filed electronically using the Internet by accessing the ECFS: <http://fjallfoss.fcc.gov/ecfs2/>.

**In addition, e-mail one copy of each pleading to each of the following:**

- 1) The Commission's duplicating contractor, Best Copy and Printing, Inc., [fcc@bcpiweb.com](mailto:fcc@bcpiweb.com); phone: (202) 488-5300; fax: (202) 488-5563;
- 2) Tracey Wilson, Competition Policy Division, Wireline Competition Bureau, [tracey.wilson@fcc.gov](mailto:tracey.wilson@fcc.gov);
- 3) Jodie May, Competition Policy Division, Wireline Competition Bureau, [jodie.may@fcc.gov](mailto:jodie.may@fcc.gov);
- 4) David Krech, Policy Division, International Bureau, [david.krech@fcc.gov](mailto:david.krech@fcc.gov); and
- 5) Jim Bird, Office of General Counsel, [jim.bird@fcc.gov](mailto:jim.bird@fcc.gov).

Filings and comments are available for public inspection and copying during regular business hours at the FCC Reference Information Center, Portals II, 445 12th Street, S.W., Room CY-A257, Washington, D.C. 20554. They may also be purchased from the Commission's duplicating contractor, Best Copy and Printing, Inc., Portals II, 445 12th Street, S.W., Room CY-B402, Washington, D.C. 20554; telephone: (202) 488-5300; fax: (202) 488-5563; e-mail: [fcc@bcpiweb.com](mailto:fcc@bcpiweb.com); url: [www.bcpiweb.com](http://www.bcpiweb.com).

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<sup>3</sup> 47 C.F.R. § 63.03(b)(2)(ii).

<sup>4</sup> Such authorization is conditioned upon receipt of any other necessary approvals from the Commission in connection with the proposed transaction.

People with Disabilities: To request materials in accessible formats for people with disabilities (braille, large print, electronic files, audio format), send an e-mail to [fcc504@fcc.gov](mailto:fcc504@fcc.gov) or call the Consumer & Governmental Affairs Bureau at (202) 418-0530 (voice), (202) 418-0432 (tty).

For further information, please contact Tracey Wilson at (202) 418-1394 or Jodie May at (202) 418-0913.

- FCC -

**UNITED TELEPHONE COMPANY, UTC LONG DISTANCE, LLC and UNITED  
COMMUNICATIONS HOLDINGS, LLC  
Docket No. 11-00098**

**Tennessee Regulatory Authority Staff Data Request No. 1**

**Question:**

2. Provide information demonstrating the financial capability of United Communications Holdings, LLC ("Buyer"). To the extent that Buyer relies on MSouth Equity Partners, LP for capital, please discuss the extent of support available given the language contained in Section 11.21 of the Agreement and Plan of Merger ("United Tel Purchase Agreement") governing the purchase of United Telephone Company ("United Tel").

**Response:**

United Communications Holdings, LLC ("Buyer") is a new entity formed for the purpose of acquiring United Telephone Company and UTC Long Distance, LLC, both of which will become wholly-owned subsidiaries of Buyer after the close of the transaction. Buyer will finance the purchase of both acquisitions entirely with cash contributions from its owners, MSouth Equity Partners, LP, William Bradford, and Gene Johnson. Buyer will not use any debt to finance the acquisition, thus maintaining the financial flexibility of the Buyer.

As a result of the contemplated transactions, United Telephone Company will be transferred from a group of 24 individual shareholders to the Buyer, which is owned by three shareholders. The Applicants believe the financial and operational capability of United Telephone Company will be greatly improved by being associated with these new owners. For example, the majority shareholder of the Buyer will be MSouth Equity Partners, LP, which is currently investing out of a \$265,000,000 fund. In addition, the day to day operations will be directed by industry veterans William Bradford and Gene Johnson.



Section 11.21 of the United Tel Purchase Agreement is known as an "Equity Commitment". Given that United Communications Holdings, LLC is a newly formed entity and had no assets at the time of signing the agreement, the selling shareholders of United Telephone Company requested that MSouth Equity Partners, LP provide an Equity Commitment in an amount no less than the sum of the Merger Consideration (for United Telephone Company) and the UTC Purchase Price (the merger consideration for UTC Long Distance, LLC). This essentially gave the selling shareholders comfort that the Buyer will have the necessary cash to fully fund the acquisitions in accordance with the terms of the respective purchase agreements by the closing date.

United Communications Holdings, LLC does not currently have plans to raise any additional capital. Therefore, only the cash necessary to close the respective transactions will be funded by the three new owners at the closing. However, by being associated with these new owners, Buyer will have enhanced access to significant capital resources in the future to support its growth plans. Further, as demonstrated in response to question no. 5, the Buyer and selling shareholders structured a transaction that ensures United Telephone Company is well capitalized after the closing.

**UNITED TELEPHONE COMPANY, UTC LONG DISTANCE, LLC and UNITED  
COMMUNICATIONS HOLDINGS, LLC  
Docket No. 11-00098**

**Tennessee Regulatory Authority Staff Data Request No. 1**

**Question:**

3. How will Buyer finance the acquisition of United Tel? To the extent Buyer incurs indebtedness to finance the acquisition of United Tel, will the assets of United Tel be pledged as security for the borrowing or will United Tel act as a guarantor for the indebtedness? To the extent Buyer incurs indebtedness to purchase United Tel, will United Tel seek recovery of any expenses related to such indebtedness in any future rate case proceeding?

**Response:**

Buyer will receive cash contributions from its three owners, MSouth Equity Partners, LP, William Bradford, and Gene Johnson at the closing to finance the acquisition of United Tel. Buyer will not incur any indebtedness to finance the acquisition.

**UNITED TELEPHONE COMPANY, UTC LONG DISTANCE, LLC and UNITED  
COMMUNICATIONS HOLDINGS, LLC  
Docket No. 11-00098**

**Tennessee Regulatory Authority Staff Data Request No. 1**

**Question:**

4. To the extent Buyer incurs indebtedness to finance the acquisition of UTC Long Distance, LLC ("UTC"), will the assets of UTC be pledged as security for the borrowing or will UTC act as guarantor for the indebtedness?

**Response:**

Buyer will receive cash contributions from its three owners, MSouth Equity Partners, LP, William Bradford, and Gene Johnson at the closing to finance the acquisition of United Tel. Buyer will not incur any indebtedness to finance the acquisition.

**UNITED TELEPHONE COMPANY, UTC LONG DISTANCE, LLC and UNITED  
COMMUNICATIONS HOLDINGS, LLC  
Docket No. 11-00098**

**Tennessee Regulatory Authority Staff Data Request No. 1**

**Question:**

5. Provide the current capital structure for United Tel. Provide the anticipated capital structure for United Tel after purchase by Buyer.

**Response:**

Please see the attached **CONFIDENTIAL Exhibit No. 2**, which is being filed under seal.

**Exhibit No. 2**

Pro Forma Balance Sheet

(Filed Under Seal)

**UNITED TELEPHONE COMPANY, UTC LONG DISTANCE, LLC and UNITED  
COMMUNICATIONS HOLDINGS, LLC  
Docket No. 11-00098**

**Tennessee Regulatory Authority Staff Data Request No. 1**

**Question:**

6. Provide copies of Schedules 3.4(b)(ii) and 3.4(b)(iii) described in the United Tel Purchase Agreement.

**Response:**

Please see the attached **CONFIDENTIAL Exhibit No. 3**, which is being filed under seal.

**Exhibit No. 3**

Schedule 3.4(b)(ii) and Schedule 3.4(b)(iii)

(Filed Under Seal)