



ATTORNEYS AT LAW

1200 ONE NASHVILLE PLACE
150 FOURTH AVENUE, NORTH
NASHVILLE, TENNESSEE 37219-2433
(615) 244-9270
FAX (615) 256-8197 OR (615) 744-8466

Sarah Lodge Tally
Direct Dial (615) 744-8432
Direct Fax (615) 744-8612
stally@millermartin.com

September 28, 2010

RECEIVED

SEP 29 2010

PUBLIC SERVICE
COMMISSION

VIA OVERNIGHT DELIVERY

Mr. Jeff R. Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

RE: Highland Communications Corporation

Dear Mr. Derouen:

Please be advised that Highland Communications Corporation is transferring control to Highland Communications LLC as part of an internal corporate restructuring (“Transaction”), as more fully described herein. In connection therewith, we provide the following information:

I. The Parties

A. Highland Communications Corporation (“Highland Communications”). Highland Communications is a public utility corporation organized under the laws of the State of Tennessee on May 9, 1996 with its principal place of business located at 119 Hillcrest Street, Wartburg, Tennessee 37887. It is a direct, wholly owned subsidiary of Highland Telephone Cooperative, Inc. (“Highland Cooperative”) that operates in Scott and Morgan Counties in Tennessee and McCreary County in Kentucky. Throughout the three counties set forth above, Highland Communications, which is qualified to conduct business in Kentucky as Highland Communications Corporation of Tennessee, currently provides long distance telephone service to approximately 16,500 customers, Internet services to approximately 10,890 customers and DSL services to approximately 7,000 customers. Throughout its fourteen-year history, Highland Communications has continued to provide its customers with state of the art technology in the telecommunications arena and quality customer service.

The Commission accepted Highland Communications’ Intrastate Long Distance Services Tariff, which was effective March 15, 1997.

B. Highland Communications LLC. Highland Communications LLC, a to be formed Tennessee limited liability company, will be upon formation a direct, wholly owned subsidiary of Highland Media Corporation (“Highland Media”). Highland Communications LLC will ultimately own and operate the business presently conducted by Highland Communications. All of Highland Communications’ current employees, offices, management and financial resources will be transferred to Highland Communications LLC pursuant to the Transaction.

C. Highland Media. Highland Media is a public utility corporation organized under the laws of the state of Tennessee on November 9, 2005, with its principal place of business located at 7840 Morgan City Highway, Sunbright, Tennessee 37872. It is a direct, wholly owned subsidiary of Highland Cooperative that operates in Scott and Morgan Counties in Tennessee and McCreary County in Kentucky. Highland Media provides its customers with a high quality fiber network and outstanding customer service operations.

II. Designated Contacts

The designated contacts for questions concerning this Notice are:

Melvin J. Malone
Miller & Martin PLLC
1200 One Nashville Place
150 Fourth Avenue, North
Nashville, Tennessee 37219
(615) 244-2970 (telephone)
(615) 256-8197 (fax)
mmalone@millermartin.com

Ernest A. Petroff
Stansberry, Petroff, Marcum & Blakley, P.C.
3 Courthouse Square
P. O. Box 240
Huntsville, TN 37756
(423) 663-2321 (telephone)
(423) 663-2111 (fax)
epetroff@spmbllaw.net

Attorneys for the Applicants

G. M. Patterson, General Manager
Highland Communications Corporation
119 Hillcrest Street
Wartburg, Tennessee 37887
(423) 346-4000 (telephone)
(423) 346-4010(fax)
pattersonm@highland.net

III. Description of Proposed Transaction

The proposed Transaction will be effectuated through a series of interrelated transactions. These steps involve (1) the merger of existing Highland Cooperative subsidiaries and (2) the formation of an indirect subsidiary of Highland Cooperative and a subsequent transfer of control from such existing subsidiaries to that indirect subsidiary. Highland Communications and Highland Media are

September 28, 2010

Page 3

each a direct, wholly owned subsidiary of Highland Cooperative. Highland Communications will be merged with and into Highland Media. The customers and assets of Highland Communications will be transferred to Highland Media. Prior to or simultaneous with the merger of Highland Communications with and into Highland Media, Highland Media intends to form a direct, wholly owned Tennessee limited liability company subsidiary named, Highland Communications LLC. Simultaneous with or immediately subsequent to such merger, Highland Media intends to transfer to Highland Communications LLC the customers and assets held by Highland Communications immediately prior to such merger.

The proposed Transaction will result in gained efficiencies, a reduced burden with respect to administrative matters and likely an increased financial position for Highland Communications LLC. This more efficient corporate structure will allow Highland Communications LLC, Highland Media and Highland Cooperative, through newly formed entities, the ability to devote additional resources to provide efficient, quality services to their customers.

Highland Communications' customers have been notified of the proposed Transaction, pursuant to requirements of the Federal Communications Commission and the Tennessee Regulatory Authority. Copies of the letters that were sent to Highland Communications' customers are attached.

Upon consummation of the Transaction, Highland Communications LLC, will provide the appropriate notice of adoption of Highland Communications' tariff.

IV. Public Interest Analysis

The proposed Transaction is in the public interest because it will enhance Highland Communications' ability to compete in the market for telecommunications services. The Transaction will have no adverse effect upon customers, as it will not result in any changes to Highland Communications' provision of service to its current customers. The Transaction will not alter the ultimate ownership or control of Highland Communications, and it will not create an interruption in service for Highland Communications' customers. Also, the management, employees, and offices of Highland Communications will become the management, offices and employees of Highland Communications LLC.

I have enclosed an extra copy of this letter to be date stamped "filed" and returned to me in the enclosed, self-addressed, stamped envelope. If you have any questions or if I may provide you with additional information, please do not hesitate to contact me.

Respectfully submitted,



Sarah Lodge Tally

SLT/sc