

BEFORE THE SOUTH DAKOTA  
PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL OF AN AMENDMENT TO CERTIFICATE OF AUTHORITY OF ALLIANCE COMMUNICATIONS COOPERATIVE, INC.	DOCKET NO. _____  JOINT APPLICATION FOR APPROVAL OF AN AMENDMENT TO CERTIFICATE OF AUTHORITY
---	--

COME NOW, the Applicants, Alliance Communications Cooperative, Inc., a South Dakota cooperative corporation (“Alliance”), Splitrock Properties, Inc., a South Dakota corporation (“Splitrock”), and Hills Telephone Company, Inc., a Minnesota corporation (“Hills”), by and through their undersigned counsel, and jointly request that pursuant to the provisions of SDCL § 49-31-59, the South Dakota Public Utilities Commission (the “Commission”) approve the following:

(1) the “sale,” by merger of the local telephone exchanges currently served by Splitrock and Hills to Alliance (the “Reorganization”), in the manner set forth in this Application and the Agreement and Plan of Reorganization dated January 27, 2011, entered into by and among Alliance, Splitrock and Hills, which is attached hereto as Exhibit A and is incorporated herein by this reference (the “Agreement”); and

(2) an amendment to the Certificate of Authority held by Alliance to permit it to offer local exchange service to the former customers of Splitrock and Hills in the exchanges scheduled on Exhibit B attached hereto and incorporated herein by this reference (the “Exchanges”).

IN SUPPORT THEREOF, Applicants do state and declare as follows:

1. Applicant Alliance is a South Dakota corporation headquartered in Garretson, South Dakota. Alliance presently operates eight local telephone exchanges serving approximately 8,639 access lines, 8,513 access lines are located within the State of South Dakota; 46 are within the State of Iowa; and the remaining 80 are within the State of Minnesota. Alliance is the sole shareholder and parent corporation of both Splitrock and Hills. The Applicants have also requested the consent of, among others, the Minnesota Public Utilities Commission, the Minnesota Department of Commerce, the Iowa Utilities Board, and the Federal Communications Commission to the proposed transaction.

2. Applicant Splitrock is a South Dakota corporation headquartered in Garretson, South Dakota, and is a wholly-owned subsidiary of Alliance. Splitrock presently holds a certificate of authority issued by the Commission and operates two local telephone exchanges having approximately 1,330 access lines in the State of South Dakota.

3. Applicant Hills is a Minnesota corporation headquartered in Garretson, South Dakota, and is a wholly-owned subsidiary of Alliance. Hills presently holds a certificate of authority issued by the Commission and operates thirteen local telephone exchanges having approximately 3,007 total access lines, of which 423 are within the State of South Dakota; 1,958 are within the State of Iowa; and the remaining 626 are located within the State of Minnesota.

4. Alliance, Splitrock, and Hills all operate under the trade name "Alliance Communications" in their respective service areas and would continue to operate under that trade name in the Exchanges, subject to the Commission's approval of the Reorganization.

5. Alliance, Hills and Splitrock have entered into the Agreement which, contingent upon the receipt of all necessary lender and regulatory approvals, including without limitation the

South Dakota Public Utilities Commission, the Minnesota Public Utilities Commission, the Minnesota Department of Commerce, the Iowa Utilities Board, and the Federal Communications Commission, contemplates, among other things, the following transactions:

(i) At 12:01 a.m. on January 1, 2012, Splitrock will be merged with and into Alliance pursuant to the provisions of SDCL Chapter 47-1A *et seq.* (the “Splitrock Merger”). Upon the consummation of the Splitrock Merger, all of the assets and liabilities of Splitrock will become the assets and liabilities of Alliance. As the sole shareholder of Splitrock, Alliance has approved the Splitrock Merger;

(ii) Concurrently with the foregoing Splitrock Merger, Hills will be merged with and into Alliance concurrently, pursuant to the provisions of SDCL Chapter 47-1A *et seq.* and Minnesota Statute 302A *et seq.* (the “Hills Merger”). Upon the consummation of the Hills Merger, all of the assets and liabilities of Hills will become the assets and liabilities of Alliance. As the sole shareholder of Hills, Alliance has approved the Hills Merger;

(iii) All of the patrons formerly receiving local exchange telephone service from Splitrock and Hills that meet the requirements for membership under the bylaws of Alliance<sup>1</sup> will automatically become members of Alliance upon the consummation of the Reorganization;

---

<sup>1</sup> The qualifications for membership under the bylaws are as follows: All persons or entities shall become a member of Alliance by purchasing local exchange service, broadband internet service or cable television service in any certificated local exchange service area in which Alliance provides local exchange service. (a) Members shall be bound by the articles of incorporation, by-laws and any rules and regulations adopted from time to time by the board of directors. No membership right shall be vested by any by-law policy, rule or regulation beyond the period it remains in force and has not been changed; (b) no more than one (1) membership may be held by any person or entity and no membership shall be transferred except as provided in the by-laws; and (c) members shall be obligated to pay any member hook-ups or other charges or fees for any type of telephone service, internet or cable television service, and any rate or tariffs as adopted from time to time by the board of directors.

(iv) Effective as of the close of business on December 31, 2011, Alliance will allocate its 2011 operating margin and its accumulated non-operating margins to its existing members and patrons. No member of Alliance will lose any capital credits or any entitlement thereto as a result of this reorganization; and

(v) For all periods subsequent to December 31, 2011, the former patrons of Splitrock and Hills will be eligible to become members of Alliance and receive allocations and retirements of capital credits on an equal basis as the currently existing members.

4. On April 23, 2011, at the Annual Meeting of the Members of the Cooperative, the members of Alliance approved the Agreement and Plan of Reorganization by a vote of 155 to 1.

5. In connection with the Reorganization, Alliance shall file an application with the Federal Communications Commission for the approval of the retitling of Splitrock's and Hills' respective study areas to Alliance. Alliance intends to maintain the current boundaries of said study areas.

6. Upon the consummation of the Reorganization, any and all of Splitrock's and Hills' respective interconnection agreements, if any, shall be assigned to, and assumed by, Alliance.

7. Following the consummation of the Reorganization, Alliance shall assume full responsibility for any remaining liabilities of Splitrock and Hills, if any, including, without limitation, any unpaid regulatory assessments, if any. Further, Alliance shall be responsible for filing any other final annual reports, or comparable reports, on behalf of Splitrock and Hills prior to the deadline.

8. Upon the completion of the Splitrock Merger, use of the business name Splitrock Properties, Inc. shall cease and all further business shall be conducted under the name of Alliance Communications Cooperative, Inc. or its registered trade name "Alliance Communications."

9. Upon the completion of the Hills Merger, use of the business name Hills Telephone Company, Inc. shall cease and all further business shall be conducted under the name of Alliance Communications Cooperative, Inc. or its registered trade name "Alliance Communications."

10. The contact information for Alliance is as follows:

Alliance Communications Cooperative, Inc.  
612 Third Street  
P.O. Box 349  
Garretson, South Dakota 57030  
Office: (800) 701-4980  
Fax: (605) 594-6776  
Website: [www.alliancecom.net](http://www.alliancecom.net)  
E-Mail: [email@alliancecom.net](mailto:email@alliancecom.net)

11. Alliance has the managerial, technical and financial resources to adequately provide local telephone exchange services in the Exchanges. Alliance, Hills, and Splitrock are currently all under common management, have identical boards of directors, and are administered from the same headquarters in Garretson, South Dakota. The Reorganization will not materially change the management, operations and administrative responsibilities of Alliance.

12. Alliance has a proven record of providing high quality communications services in rural areas and complying with all regulatory and safety requirements. Alliance presently provides enhanced 911 services in all of its local telephone exchanges and Alliance will continue to provide it in the Exchanges following the closing of the proposed transaction. In addition to

telephony services, Alliance offers various other communications services. These additional services include, without limitation: (i) high-speed internet access service; and (ii) digital cable television service.

13. The service area map indicating the geographic area proposed to be served by Alliance, and included in the amended Certificate of Public Convenience and Necessity, subject to Commission approval, shall include both the area currently served by Alliance and the areas currently served by Splitrock and Hills, as depicted in the service map attached hereto as Exhibit C and incorporated herein by this reference.

14. The audited consolidated financial statements of Alliance for the calendar years ended December 2010 and 2009 are attached hereto as Exhibit D and are incorporated herein by reference.

15. There will be no changes in the telephone numbers, prefixes, or area codes (NXX codes) of any of the persons or entities receiving local telephone exchange service in the Exchanges as a result of the proposed transaction.

16. Following the Reorganization, the patrons of Splitrock and Hills receiving local exchange telephone service and who qualify for membership under the bylaws of Alliance, will automatically become members of Alliance. The former patrons of Splitrock and Hills will change from being customers of a for-profit corporation to patrons of a cooperative entitled to vote for members of the Commission of directors of the cooperative and to receive patronage allocations and dividends following the Reorganization. Further, all of the patrons of Splitrock and Hills will receive written notice describing the transaction and its implications. The notice will be sent out when all requisite regulatory and lender approvals to the transaction have been obtained.

17. The public interest will not be harmed by the Reorganization. There will be no discontinuance, reduction, or impairment of any of the services presently offered by Splitrock and Hills in the Exchanges following the merger. There will be no change in rates for local telephone services offered in the Exchanges solely as a result of the Reorganization. There will be no change in the method of calculating or paying any of the taxes payable to the State of South Dakota which Hills, Splitrock and Alliance are currently subject to. There will be no reduction in the labor force of Hills, Splitrock or Alliance solely as a result of the Reorganization. As such, the number of available service technicians will not decrease. Due to the currently shared management and administrative functions, there will be no noticeable change in the management, operations or administration of the companies for their patrons.

18. Hills, Splitrock and Alliance shall notify the South Dakota Department of Public Safety and the Statewide 911 Program, of the pending transaction.

19. Alliance will provide the Commission with notification immediately following the closing of the Reorganization.

WHEREFORE, Applicants respectfully request that the Commission grant as follows:

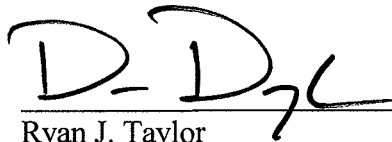
A. Approval of the sale, as defined by SDCL § 49-31-59, of the Exchanges shown in Exhibit B from Splitrock Properties, Inc. and Hills Telephone Company, Inc. to Alliance Communications Cooperative, Inc., in the manner set forth in this Application and the Agreement;

B. Amendment of the Certificate of Authority currently held by Alliance to permit it to provide local telephone exchange service in the Exchanges on and after January 1, 2012; and

C. Such other relief, consents, or authorizations as the Commission may deem necessary or appropriate and in the public interest to consummate the transactions described in this Application.

Dated this 8<sup>th</sup> day of September, 2011.

CUTLER & DONAHOE, LLP  
Attorneys at Law

A handwritten signature in black ink, appearing to read "D. Doyle", written over a horizontal line.

Ryan J. Taylor  
Daniel J. Doyle  
100 N. Phillips Ave., 9th Floor  
Sioux Falls, South Dakota 57104-6725  
Telephone (605) 335-4950  
Facsimile (605) 335-4961  
Attorneys for Joint Applicants Hills Telephone  
Company, Inc., Splitrock Properties, Inc., and  
Alliance Communications Cooperative, Inc.