

BEFORE THE SOUTH DAKOTA  
PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE JOINT  
APPLICATION FOR APPROVAL OF AN  
AMENDMENT TO THE CERTIFICATE OF  
AUTHORITY OF INTERSTATE  
TELECOMMUNICATIONS  
COOPERATIVE, INC.

DOCKET NO. \_\_\_\_\_

JOINT APPLICATION FOR  
APPROVAL OF AN AMENDMENT TO  
CERTIFICATE OF AUTHORITY

COME NOW, the Applicants, Interstate Telecommunications Cooperative, Inc., a South Dakota cooperative corporation ("ITC"), Stockholm-Strandburg Telephone Co., a South Dakota corporation ("Stockholm"), and SSTELECOM, Inc., a South Dakota corporation ("SSTI" and in conjunction with ITC and Stockholm, collectively the "Applicants" or individually, an "Applicant"), by and through their undersigned counsel, and jointly request that pursuant to the provisions of SDCL § 49-31-59 and § 49-31-75, the South Dakota Public Utilities Commission (the "Commission") approve the following:

(1) the merger of SSTI and Stockholm with and into ITC (the "Reorganization"), in the manner set forth in this Application and the Agreement and Plan of Reorganization dated February 7, 2012, entered into by and among ITC, Stockholm and SSTI, which is attached hereto as Exhibit A and is incorporated herein by this reference (the "Agreement");

(2) an amendment to the Certificate of Authority held by ITC to permit it to offer local exchange service to the former customers of Stockholm in the Revillo, South Shore and Stockholm local telephone exchanges (collectively, the "Stockholm Exchanges"); and

(3) an amendment to the Certificate of Authority held by SSTI, to permit ITC, as the successor by merger of SSTI, to operate as a competitive local exchange carrier in the exchanges

served by SSTI in compliance with the terms, provisions and conditions of the application of SSTI and the Order of the Commission granted under Docket No. TC05-223.

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

1. Applicant ITC is a South Dakota corporation headquartered in Clear Lake, South Dakota. ITC presently holds a Certificate of Authority issued by the Commission (the “ITC Certificate”) and operates as an incumbent local exchange carrier in 26 local telephone exchanges serving approximately 13,638 access lines, of which 12,121 access lines are located within the State of South Dakota and the remaining 1,517 access lines are located within the State of Minnesota. ITC is the sole shareholder and parent corporation of Stockholm.

2. Applicant Stockholm is a South Dakota corporation headquartered in Clear Lake, South Dakota, and is a wholly-owned subsidiary of ITC. Stockholm presently holds a Certificate of Authority issued by the Commission and operates as an incumbent local exchange carrier in 3 local telephone exchanges having approximately 564 access lines located in the State of South Dakota. Stockholm is the sole shareholder and parent corporation of SSTI.

3. Applicant SSTI is a South Dakota corporation headquartered in Clear Lake, South Dakota, and is a wholly-owned subsidiary of Stockholm. SSTI presently holds a Certificate of Authority issued by the Commission (the “SSTI Certificate”) and operates approximately 924 total access lines located in CenturyLink’s Milbank Exchange in the State of South Dakota.

4. ITC is in good standing with the Minnesota Public Utilities Commission and the Minnesota Department of Commerce. No approval from the Minnesota Public Utilities Commission or the Minnesota Department of Commerce is required for the Reorganization.

5. All of the Applicants are in good standing with the Federal Communications Commission. Applicants have requested the consent of the Federal Communications Commission to the Reorganization.

6. ITC, Stockholm, and SSTI all operate under the trade name "ITC" in their respective service areas. ITC will continue to operate under that trade name, subject to the Commission's approval of the Reorganization.

7. ITC, Stockholm and SSTI 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 and the Federal Communications Commission, contemplates, among other things, the following transactions:

(i) At 12:01 a.m. on January 1, 2013, SSTI will be merged with and into Stockholm pursuant to the provisions of SDCL Chapter 47-1A *et seq.* (the "SSTI Merger"). Upon the consummation of the SSTI Merger, all of the assets and liabilities of SSTI will become the assets and liabilities of Stockholm. As the sole shareholder of SSTI, Stockholm has approved the SSTI Merger;

(ii) At 12:02 a.m. on January 1, 2013, Stockholm will be merged with and into ITC concurrently, pursuant to the provisions of SDCL Chapter 47-18 *et seq.* (the "Stockholm Merger"). Upon the consummation of the Stockholm Merger, all of the assets and liabilities of Stockholm will become the assets and liabilities of ITC. As the sole shareholder of Stockholm, ITC has approved the Stockholm Merger;

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

(iv) Effective as of the close of business on December 31, 2012, ITC will allocate its 2012 operating margin and its accumulated non-operating margins to its existing members and patrons. No member of ITC will lose any capital credits or any entitlement thereto as a result of this reorganization; and

(v) For all periods subsequent to December 31, 2012, the former patrons of SSTI and Stockholm will be eligible to become members of ITC and receive allocations and retirements of capital credits on an equal basis as the currently existing members.

8. The Agreement has received all necessary member and shareholder approvals:

(i) On September 29, 2012, at its Annual Meeting, the members of ITC approved the Agreement and Plan of Reorganization by a vote of 242 to 16;

(ii) As the sole shareholder of SSTI, Stockholm has approved the SSTI Merger.

(iii) As the sole shareholder of Stockholm, ITC has approved the Stockholm Merger.

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<sup>1</sup> The qualifications for membership under the bylaws are as follows: Any person, association, corporation, firm, partnership or body politic or subdivision thereof will become a member of ITC, upon purchasing telecommunications services, informational services, or cable television services from ITC provided first that such person, association, corporation, firm, partnership or body politic or subdivision thereof: (a) submits a written application for membership which has been received and approved by the Board of Directors; (b) purchases services from ITC in accordance with established tariffs and as hereinafter specified; (c) is not significantly involved in the management or administrative affairs of a direct competitor of ITC as determined by the Board of Directors in its sole discretion; (d) complies with and is bound by the Articles of Incorporation and By-Laws of ITC and any regulations and rules adopted by the Board of Directors; (e) receives such telecommunications services, informational services, or cable television services from ITC within the Incumbent Local Exchange Carrier certificated service territory of ITC, as such certificated service territory is defined by the applicable state regulatory authorities from time to time, or from ITC within the Competitive Local Exchange Carrier Area. For purposes hereof, "Competitive Local Exchange Carrier Area" shall mean any area which is outside of ITC's Incumbent Local Exchange Carrier service area, but within which ITC has received authority to operate as a Competitive Local Exchange Carrier and within which ITC owns facilities for the provision of retail telecommunications services.

9. In connection with the Reorganization, ITC shall file an application with the Federal Communications Commission for the approval of the retitling of Stockholm's respective study area to ITC. ITC intends to maintain the current boundaries of said study area.

10. Upon the consummation of the Reorganization, any and all of SSTI's and Stockholm's respective interconnection agreements, if any, shall be assigned to, and assumed by, ITC.

11. Following the consummation of the Reorganization, ITC shall assume full responsibility for any remaining liabilities of SSTI and Stockholm, if any, including, without limitation, any unpaid regulatory assessments. Further, ITC shall be responsible for filing any other final annual reports, or comparable reports, on behalf of SSTI and Stockholm prior to the applicable deadlines.

12. Upon the completion of the Reorganization, use of the business names SSTELECOM, Inc. and Stockholm-Strandburg Telephone Co. shall cease and all further business shall be conducted under the name of Interstate Telecommunications Cooperative, Inc. or its registered trade name "ITC."

13. The contact information for ITC is as follows:

Interstate Telecommunications Cooperative, Inc.  
312 Fourth Street West  
P.O. Box 920  
Clear Lake, South Dakota 57226  
Office: (800) 417-8667  
Fax: (605) 874-2014  
Website: [www.itc-web.com](http://www.itc-web.com)  
E-Mail: [info@itctel.com](mailto:info@itctel.com)

Following the Reorganization, the contact information for any complaints or regulatory matters, including those of SSTI and Stockholm, should be directed to ITC, whose contact information

shall remain the same. Further, the SD Sales Tax Number and the Federal Employee ID Number of ITC shall remain the same and shall continue in use after the Reorganization.

14. ITC has the managerial, technical and financial resources to adequately provide local telephone exchange services in the exchanges served by Stockholm and SSTI. The Applicants are currently all under common management, have identical boards of directors, and are administered from the same headquarters in Clear Lake, South Dakota. The Reorganization will not change the management, operations and administrative responsibilities of ITC in any meaningful way.

15. ITC has a proven record of providing high quality communications services in rural areas and complying with all regulatory and safety requirements. ITC presently provides enhanced 911 services in all of its local telephone exchanges and ITC will continue to provide it in the exchanges served by Stockholm and SSTI following the closing of the proposed transaction. In addition to telephony services, ITC offers various other communications services. These additional services include, without limitation: (i) high-speed internet access service; and (ii) cable television service.

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

17. In addition to the service area identified on Exhibit B and included in ITC's amended Certificate of Public Convenience and Necessity, subject to the Commission's

approval, ITC will, as the successor by merger to SSTI, operate as a competitive local exchange carrier in the areas presently served by SSTI.

18. The audited consolidated financial statements of ITC and its subsidiaries for the fiscal years ended March 31, 2012 and 2011 are attached hereto as Exhibit C and are incorporated herein by reference.

19. 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 served by Stockholm and SSTI as a result of the proposed transaction.

20. Following the Reorganization, the customers of Stockholm and SSTI receiving local exchange telephone service and who qualify for membership under the bylaws of ITC, will automatically become members of ITC. ITC anticipates that all of the current customers of SSTI or Stockholm who continue to receive communications service from ITC following the Reorganization will qualify for membership under its bylaws. The former customers of Stockholm and SSTI will change from being customers of a for-profit corporation to patrons of a cooperative entitled to vote for and become members of the board of directors of the cooperative and to receive patronage allocations and dividends following the Reorganization. Further, all of the customers of Stockholm and SSTI 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.

21. 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 Stockholm and SSTI following the merger. There will be no change in rates for local telephone services offered in

the exchanges served by Stockholm and SSTI 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 Stockholm, SSTI and ITC are currently subject to. There will be no reduction in the labor force of Stockholm, SSTI or ITC 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.

22. Stockholm, SSTI or ITC shall notify the South Dakota Department of Public Safety and the Statewide 911 Program, of the pending transaction.

23. None of the EAS arrangements of any of Stockholm, SSTI or ITC shall change as a result of the Reorganization.

24. None of the current customers of SSTI or Stockholm will be adversely affected by the Reorganization.

25. ITC will provide the Commission with notification immediately following the closing of the Reorganization.

WHEREFORE, Applicants respectfully request that the Commission grant the following:

A. Approval of the "sale," as defined by SDCL § 49-31-59, of each of the Revillo Exchange, the Stockholm Exchange, and the South Shore Exchange from Stockholm-Strandburg Telephone Co. to Interstate Telecommunications Cooperative, Inc., by merger in the manner set forth in this Application and the Agreement;



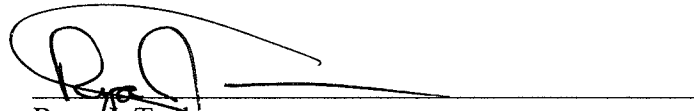
B. An amendment of the ITC Certificate to permit ITC to provide local telephone exchange service in each of the Reville Exchange, the Stockholm Exchange, and the South Shore Exchange on and after January 1, 2013;

C. An amendment of the SSTI Certificate to permit ITC, as the successor by merger to SSTI, to operate as a competitive local exchange carrier in the areas served by SSTI in accordance with the application of SSTI and the corresponding Order of the Commission granted in Docket No. TC05-223 on and after January 1, 2013; and

D. 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 ~~23<sup>rd</sup>~~ day of October, 2012.

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