

## ANSWER TO QUESTION 10

### **Information for Transferor and Transferee**

- Contact Information for Transferor and Transferee:

Company Contact

Michael R. Burrow  
Hancock Rural Telephone Corporation d/b/a Hancock Telecom.  
2331 E. 600 N.  
Greenfield, IN 33178  
Tel. 317-326-3131

Legal Counsel

Gregory W. Whiteaker  
Bennet & Bennet, PLLC  
Suite 201  
4350 East West Highway  
Bethesda, MD 21029  
Tel. 202-371-1500

- Hancock Rural Telephone Corporation d/b/a Hancock Telecom, FRN: 0002899060, the parent company of Central Indiana Communications, Inc., is a domestic corporation organized under the laws of the State of Indiana.
- Hancock Rural Telephone Corporation d/b/a Hancock Telecom has not previously received any International Section 214 authority other than the International Section 214 authority that is the subject of this application and is held by its wholly-owned subsidiary, Central Indiana Communications, Inc.

### **Information for 214 Holder**

- Contact Information for 214 Holder:

Company Contact

Michael R. Burrow  
Central Indiana Communications, Inc.  
2331 E. 600 N.  
Greenfield, IN 33178  
Tel. 317-326-3131

Legal Counsel  
Gregory W. Whiteaker  
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Suite 201  
4350 East West Highway  
Bethesda, MD 21029  
Tel. 202-371-1500

- Central Indiana Communications, Inc., FRN: 0015561350, is a domestic corporation organized under the laws of the State of Indiana.
- Central Indiana Communications, Inc. has not previously received any Section International Section 214 authority other than the authority that is the subject of this application.

### **ANSWER TO QUESTION 11**

The following information is provided for all entities that hold an ownership interest of 10% or more in Central Indiana Communications, Inc.:

Hancock Rural Telephone Corporation d/b/a Hancock Telecom  
2331 E. 600 N.  
Greenfield, IN 33178  
Tel. 317-326-3131  
Business: Telecommunications/Energy  
State of Incorporation: Indiana  
Ownership: 100% (direct)

- Hancock Rural Telephone Corporation is a member-owned cooperative that was incorporated on November 14, 1950 under Indiana's Rural Telephone Cooperative Act (IND. CODE §8-1-17-1, et seq.). None of the company's customer/members holds an ownership interest of 10% or greater in the company.

### **ANSWER TO QUESTION 13**

The present filing is a notification, to the extent necessary and out of an abundance of caution, of *pro forma* transfer of control of the International Section 214 authorization held by Central Indiana Communications, Inc. ("CICI") from the former shareholders of Hancock Rural Telephone Corp. d/b/a Hancock Telecom ("HRTC") to the present shareholders of HRTC. Specifically, effective January 1, 2011, Hancock County Rural Electric Membership Corporation d/b/a Central Indiana Power ("CIP") merged into HRTC leaving HRTC as the surviving corporation.

HRTC is a member-owned cooperative that was incorporated on November 14, 1950 under Indiana's Rural Telephone Cooperative Act (IND. CODE §8-1-17-1, *et seq.*). HRTC provides telephone exchange and exchange access services, as well as broadband Internet and dial-up Internet access in three telephone exchanges in portions of Madison, Marion, Hamilton, Hancock and Henry counties in rural Indiana and in the incorporated communities of Cadiz, Markleville, McCordsville and Sulphur Springs. HRTC, through its subsidiary, Central Indiana Communications, Inc. ("CICI"), also provides competitive local exchange and exchange access services in areas served by AT&T Corporation and other incumbent local exchange carriers ("LECs").

CIP was a member-owned electric company that was originally incorporated on May 22, 1936 under the Indiana Rural Electric Membership Corporation Act (IND. CODE §8-1-13-1, *et seq.*). CIP provided electric power to its members in portions of Hancock, Hamilton and Madison counties in rural Indiana. CIP did not provide any telecommunications services to its members. CIP's 243 square mile service area substantially overlapped, and is slightly larger than, HRTC's 170 square mile telephone service area.

### ***The Merger***

As member-owned cooperatives serving substantially overlapping areas, HRTC and CIP shared significant common ownership and determined that they could recognize significant public interest benefits by combining. Pursuant to the Articles of Merger and Merger Plan, members/customers of CIP who were not already members of HRTC became members of HRTC effective upon consummation of the merger. Prior to the merger, CIP had approximately 11,000 members and HRTC had approximately 6,000 members. Because the service areas of these two companies substantially overlap, it is estimated that approximately 4,000 to 5,000 accounts were members of both HRTC and CIP prior to the merger.

Section 63.24(c) of the Commission's Rules provides, in relevant part, as follows:

(c) Transfers of control. For purposes of this section, a transfer of control is a transaction in which the authorization remains held by the same entity, but there is a change in the entity or entities that control the authorization holder. A change from less than 50 percent ownership to 50 percent or more ownership shall always be considered a transfer of control.

In the present case, involving the merger of two member-owned cooperatives, there is no single membership interest that increased from less than 50% ownership to 50% or more. In fact, no single membership interest even rises to the level of ownership that would be deemed a reportable attributable interest under the Commission's rules either before or after the merger. Accordingly, HRTC does not believe that by increasing its membership by way of the merger described above, any transfer of control of HRTC has taken place. However, because the merger resulted in a group of new HRTC member/owners that might collectively represent 50% or more of HRTC's total

post-merger membership interests (even though no individual ownership interest increased to 50% or more) this application is being submitted out of an abundance of caution.<sup>1</sup>

To the extent that the Commission considers the merger a transfer of control, it nevertheless was *pro forma*. Transfers of control or assignments that do not result in a change in the actual controlling party are considered non-substantial or *pro forma*.<sup>2</sup> In the present case, involving member-owned cooperatives where ownership changes occur each time a new customer is gained or an old customer is lost, the merger of HRTC and CIP is essentially a “corporate reorganization that involves no substantial change in the beneficial ownership of the corporation.”<sup>3</sup>

Pursuant to the Commission’s rules, in situations involving widely held corporations “where a concern's voting stock is so widely distributed that no effective control can be established,” it may look to the changes in the Board of Directors or Management to determine whether a substantial transfer of control has occurred.<sup>4</sup> In the present case, the HRTC board was increased from nine (9) to sixteen (16) directors as a result of the merger. However, the same nine (9) directors that controlled HRTC prior to the merger serve as initial Directors of HRTC following the merger. Accordingly, the Board continues to be controlled by a majority comprised of the same individual directors that controlled HRTC prior to the merger.<sup>5</sup> Additionally, the principal officers of HRTC remain unchanged. The President, Vice President, and CFO of HRTC prior to the merger continue to hold those same positions after the merger, therefore management remains the same. Accordingly, to the extent that a transfer of control occurred at all, it should be considered a *pro forma* transfer.

In the present case, none of the new ownership interests in HRTC attributable to its merger acquisition of new customers from CIP (that were not already HRTC customers) would rise to the level of an attributable equity interest under the Commission’s attribution rules or policies.

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<sup>1</sup> Because HRTC and CIP use different billing systems and keep records under different formats, and because it will take time to integrate their systems and records, they are not able to determine exactly how many customers they had in common prior to the merger, or whether the new membership interests in HRTC, the surviving company, amount to 50% or more of the total ownership interests of HRTC. For example, an account with HRTC may be listed in the husband’s name while the CIP account for the same address may be listed in the wife’s name. These two accounts, however, amount to one existing membership account in HRTC.

<sup>2</sup> See 47 C.F.R. § 63.24(d) and accompanying Note 2.

<sup>3</sup> *Id.*

<sup>4</sup> See, e.g., 47 C.F.R. § 1.2110(c)(5)(ii)(C).

<sup>5</sup> Any future changes to the board will be through the normal staggered election process or retirement resulting in normal and natural gradual changes in board make-up.

Although the transaction was accomplished via a merger, it is more in the nature of an acquisition by HRTC of CIP since HRTC is the surviving and controlling entity. The transaction should be viewed as an acquisition by HRTC to diversify its ongoing business beyond the provision of telecommunications and information services. Moreover, HRTC will continue to provide the same telecommunications services upon the same terms and conditions that it provided prior to the merger. HRTC also will continue to provide power services under the CIP brand.

The merger is in the public interest and results in a stronger company that is better able to withstand the challenges of an economy that is only slowly emerging from recession by allowing the surviving company to take advantage of cost savings and increased efficiencies in the areas of marketing, accounting and audit, billing and mapping, and outside plant and facilities modernization. The benefits of the merger also position the company to become a leader in the provision of new services to its member customers, including accelerated Smart Grid deployment and the delivery of advanced communications services to underserved rural areas.