TC98-150

KC/DJ

DOCKET NO. TC98-150

In the Matter of IN THE MATTER OF THE JOINT APPLICATION OF VALLEY TELEPHONE COMPANY AND PARK REGION MUTUAL TELEPHONE COMPANY REGARDING THE SALE OF VALLEY TELEPHONE COMPANY STOCK TO PARK REGION MUTUAL TELEPHONE COMPANY

Public Utilities Commission of the State of South Dakota

DATE		MEMORANDA
9/3	98	Filed and Docketed;
9/3	98	Weekly Filing;
11/6	98	Order for and Notice of Hearing;
12/17	98	Final Decision and Order Approving Sale of Stock; Notice of Entry of Order;
12/17	98	Docket Closed.
1/11	99	Joint Affidavit of Sale Competition.

TC98-150

LAW OFFICES

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A PROFESSIONAL ASSOCIATION

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PATRICK F. FLAHERTY
WAYNE A. HERGOTT

September 2, 1998

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SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

William Bullard
Executive Director
South Dakota Public Utilities Commission
State of South Dakota
500 East Capitol
Pierre, South Dakota 57501

Re: In the Matter of the Sale of the Stock of Valley Telephone Company to Park Region Mutual Telephone Company
Docket No. TC98-

Dear Mr. Bullard:

Enclosed please find an original and eleven copies of the Joint Application, Prefiled Direct Testimony of Paul Hoff, and the Request for Confidential Treatment of Information on behalf of Park Region Mutual Telephone Company. Please note that due to the size of the Purchase Agreement and the exchange map, only one copy of each has been enclosed. Also enclosed is a Certificate of Service.

Very truly yours,

MOSS & BARNETT
A Professional Association

Michael J. Bradley

MJB/jjh
Enclosures
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TC98-150
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SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE SALE OF THE STOCK OF VALLEY TELEPHONE COMPANY TO PARK REGION MUTUAL TELEPHONE COMPANY	)))	TC98- **JOINT APPLICATION**

Pursuant to SDCL § 49-31-59, Revering Group, Inc. ("RGI"), the sole shareholder of Valley Telephone Company ("Valley"), and Park Region Mutual Telephone Company ("Park Region") jointly apply to the South Dakota Public Utilities Commission ("Commission") for approval of the sale of the stock of Valley to Park Region. Valley will continue to operate and provide local telephone service under its existing Certificate of Authority after the stock sale.

Valley has a Certificate of Authority to provide telecommunications services in South Dakota. Valley is an independent telephone company with two exchanges, serving customers in West Browns Valley, South Dakota and Browns Valley, Minnesota. There are approximately 636 access lines located in Browns Valley and 180 access lines located in West Browns Valley. One copy of the exchange map is provided as Exhibit A.

A non-proprietary copy of the Stock Purchase Agreement describing the transaction (which omits the purchase price) is provided as Exhibit B. A proprietary copy of the pages that contain the purchase price is being filed separately.

Park Region will file testimony supporting the following statements and demonstrating that approval of the stock sale is in the public interest.

EXHIBIT
1

1. Park Region will assure that Valley will continue to have the financial, technical and managerial resources for the proper operation of the business. Park Region personnel have many years of experience in the telecommunications industry and, since its formation in 1906, Park Region has grown into an entity worth more than $20,000,000. In addition, the two employees of RGI who have provided inside and outside plant maintenance and office support for Valley and its customers for many years have agreed to become Park Region employees and will continue their prior functions under a services agreement with Valley. Valley's technical capabilities will be enhanced by improvements in switching and a $500,000 outside plant upgrade.

2. Paul Hoff, who will assume the management of Valley, has the managerial capabilities to operate Valley.

3. Rates will not change as a result of this stock sale, and Park Region agrees not to increase any rates, except in response to a Commission order, for a period of 18 months. A listing of all telecommunications services currently being offered by Valley, and their corresponding rates, is attached as Exhibit C.

4. Switched access rates will not change as a result of this sale.

5. No existing services will be discontinued as a result of this sale. In addition, within six months of the stock sale, service will be enhanced by the planned switching improvements, which will allow Valley to offer certain new services, including ISDN, Centrex, voice mail, fire/burglar alarm, and lifeline monitoring. There will also be outside plant upgrades, which will provide for redundant fiber routing capabilities.

6. Valley has not received any petitions for extended area service.

7. Customers will be able to communicate with Valley through use of a toll-free number 695-2112 during office hours, and (800) 247-2706 during after office hours.

8. All current emergency 911 services will continue to be provided by Valley and reliability will be enhanced as a result of the redundant fiber routing capability being installed.

9. Valley will be in compliance with SDCL 49-31-62 through 65 within six months of the sale as a result of a switch upgrades.

10. Park Region will work with any interested schools and medical facilities to provide distance learning and tele-medicine as needed. At this time, there is an elementary school and a medical clinic located in the Minnesota portion of the exchange. Park Region has expertise in providing distance learning and currently provides interactive educational television services to 23 kindergarten through 12th grade schools and colleges in the west central region of Minnesota.

11. Park Region is very aware of the importance of economic development to the communities it serves and has a proven history of supporting economic development in its communities. It pledges continued support for local economic development efforts.

12. Tax payments would be unaffected by this sale.

13. The sale would have no impact on the Universal Service Fund. This is a stock purchase and, consequently, the study area is unaffected by this transaction.

14. Valley has received Eligible Telecommunications Carrier status, which should not change as a result of the sale.

The sale is scheduled to close as soon as possible after receiving the required South Dakota and Minnesota regulatory approvals. No FCC approval is necessary for this transaction. Therefore, the applicants respectfully request expedited treatment of this matter by the Commission to permit prompt closing.

Dated: ~~August xxx 1998~~ September 2, 1998

Respectfully submitted,

VALLEY TELEPHONE COMPANY

By: _____
George Revering
Its President

Valley Telephone Company
P O Box 27
Parkers Prairie, MN 56361
Telephone: (612) 695-2111

THE PARK REGION MUTUAL TELEPHONE COMPANY

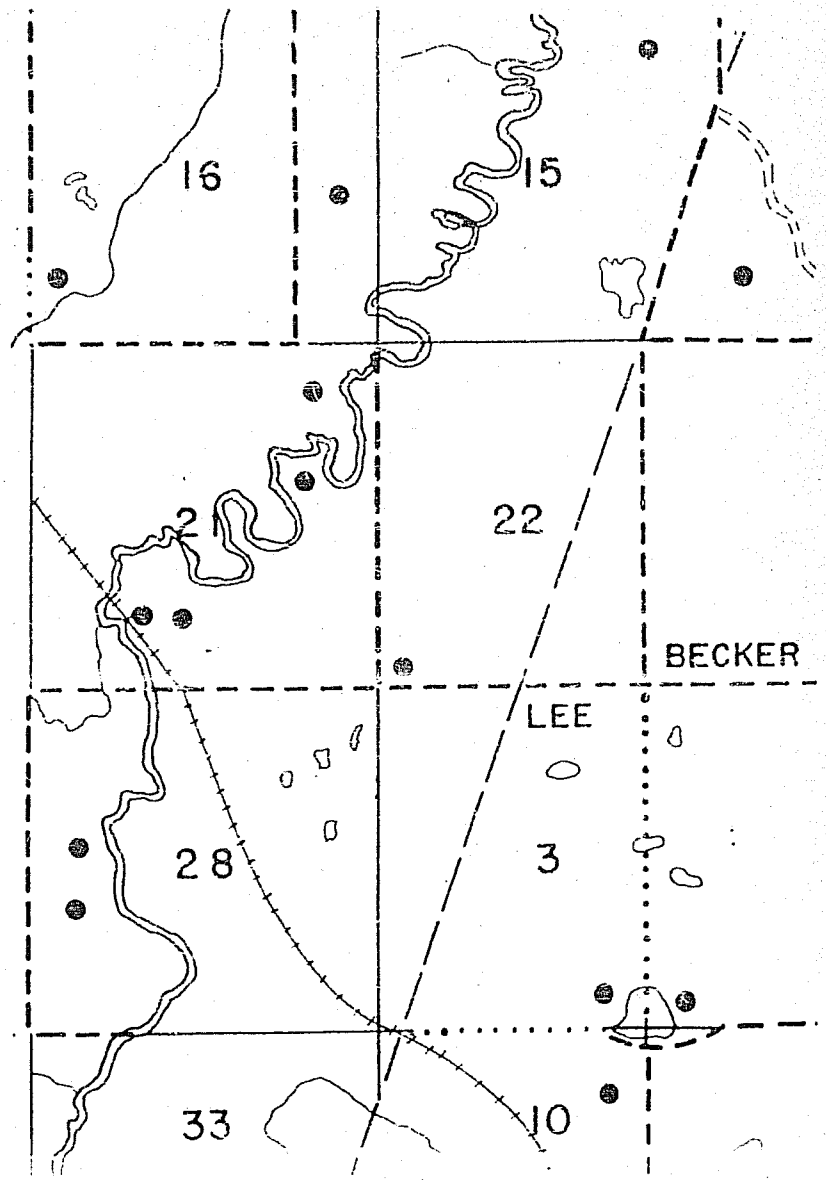
By: _____
Paul Hoff
Its General Manager/CEO

Park Region Mutual Telephone Company
100 Main Street
PO Box 277
Underwood, MN 56586

REVERING GROUP, INC.,
Sole Shareholder

By: _____
George Revering
Its President

Revering Group, Inc.
PO Box 27
Parkers Prairie, MN 56361
Telephone: (612)695-2111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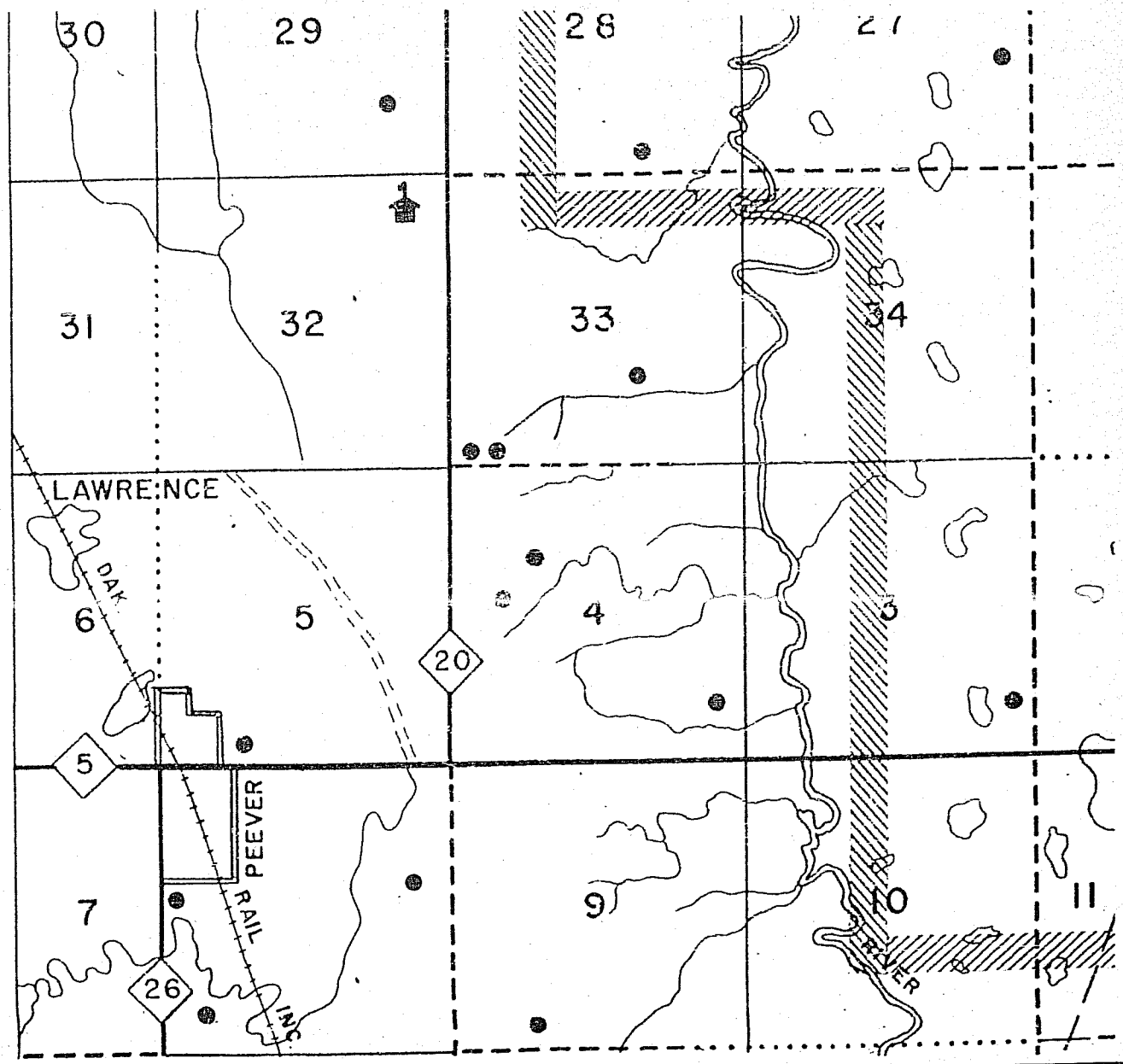
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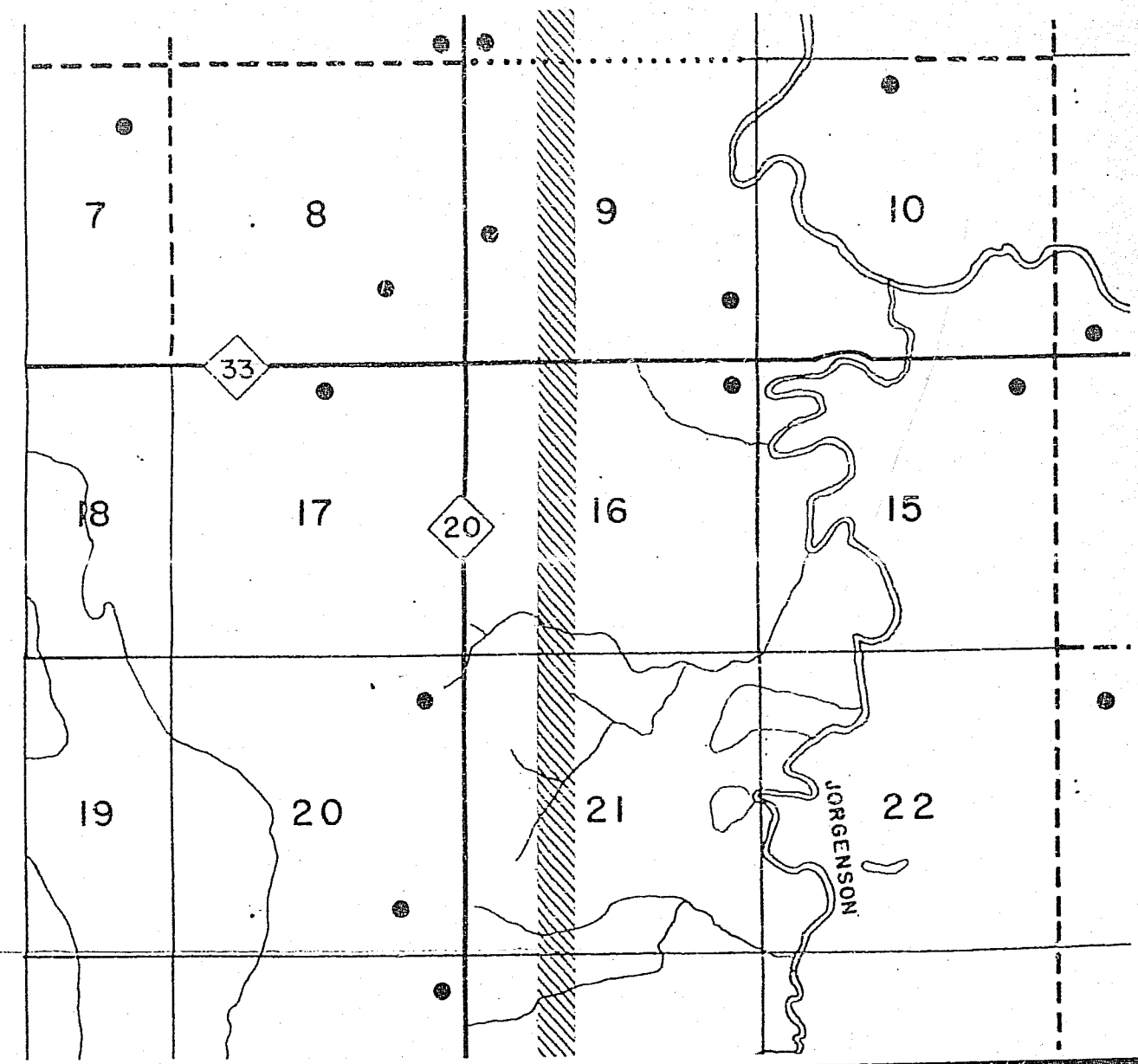
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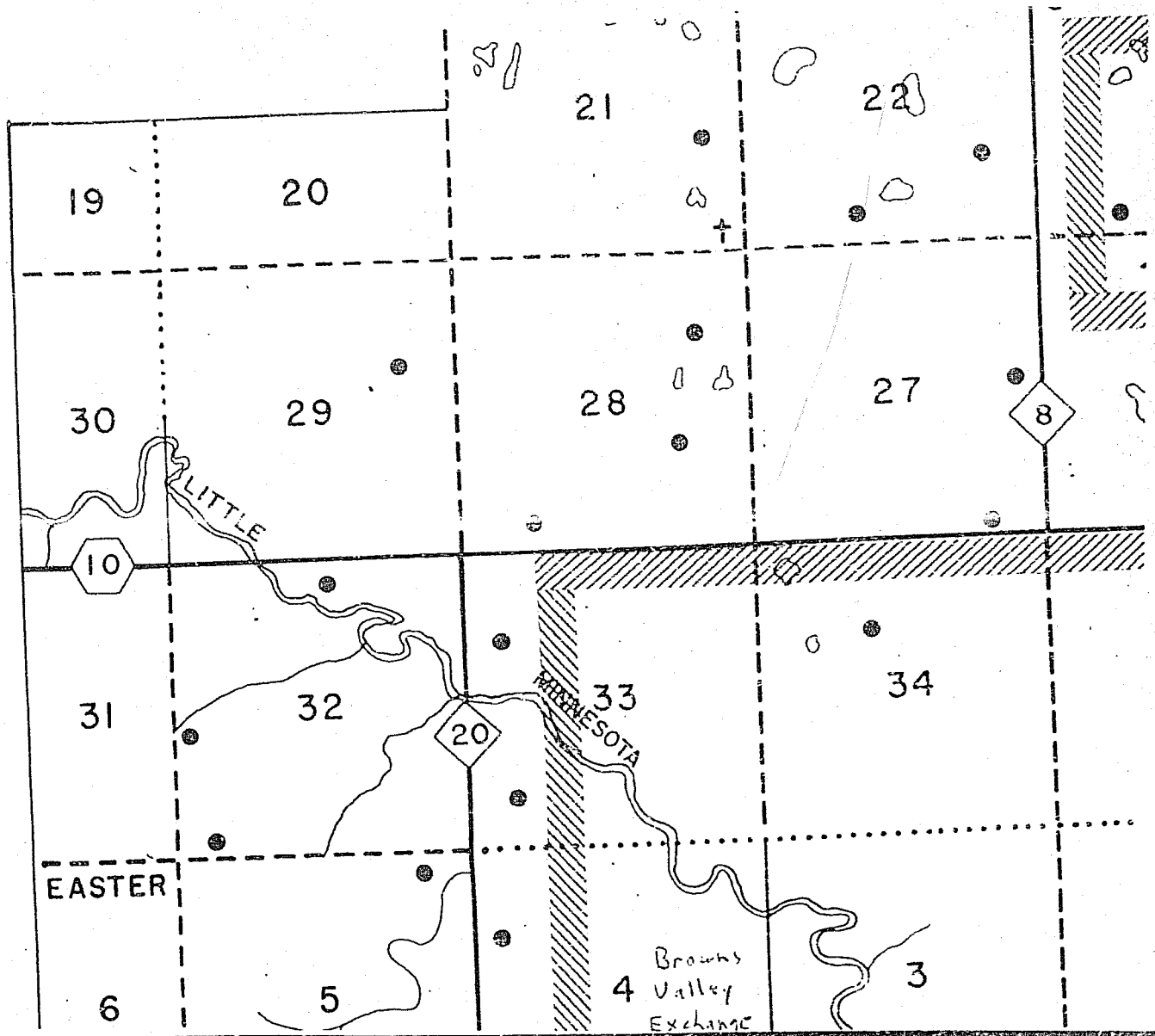
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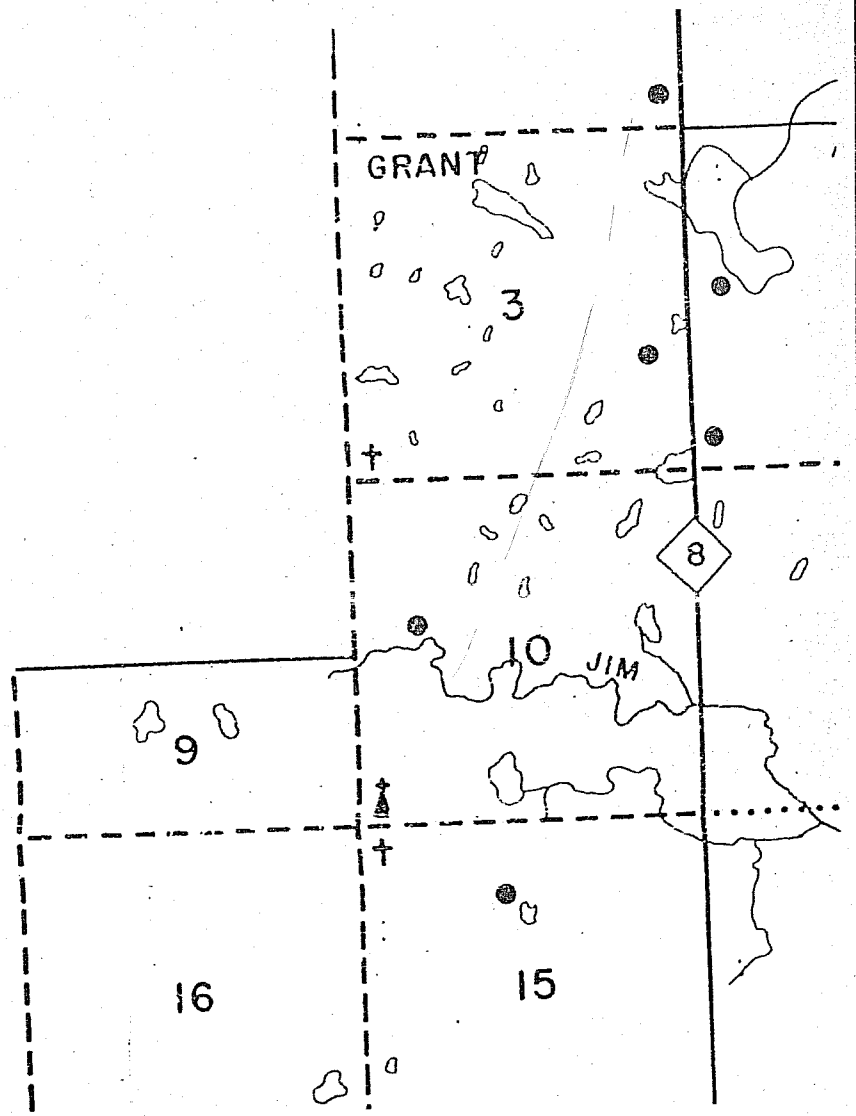
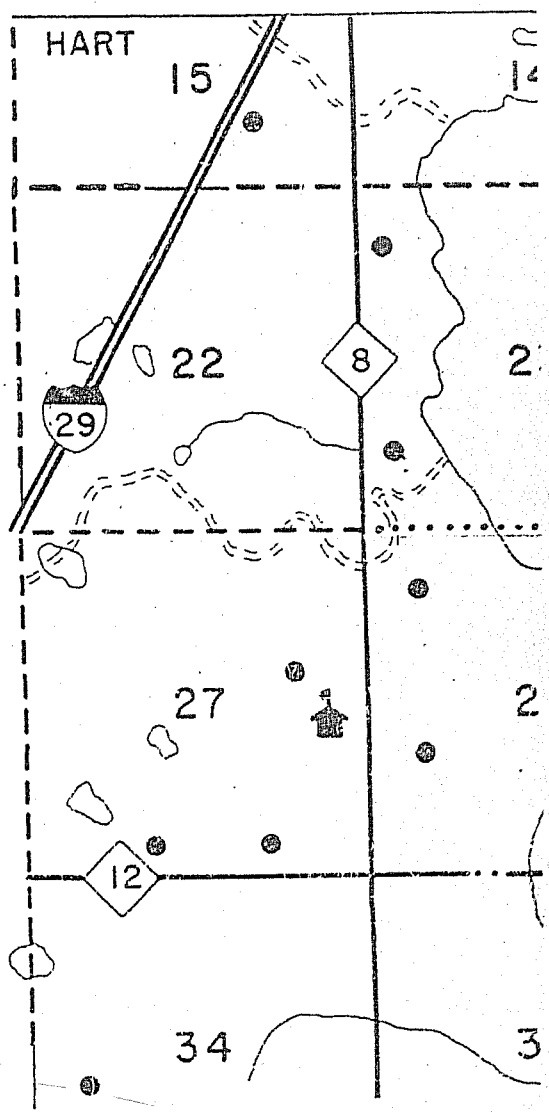
State Line

IIDLAND ATLAS COMPANY, INC.
MILBANK, SOUTH DAKOTA

Valley Telephone Co.
Exchange

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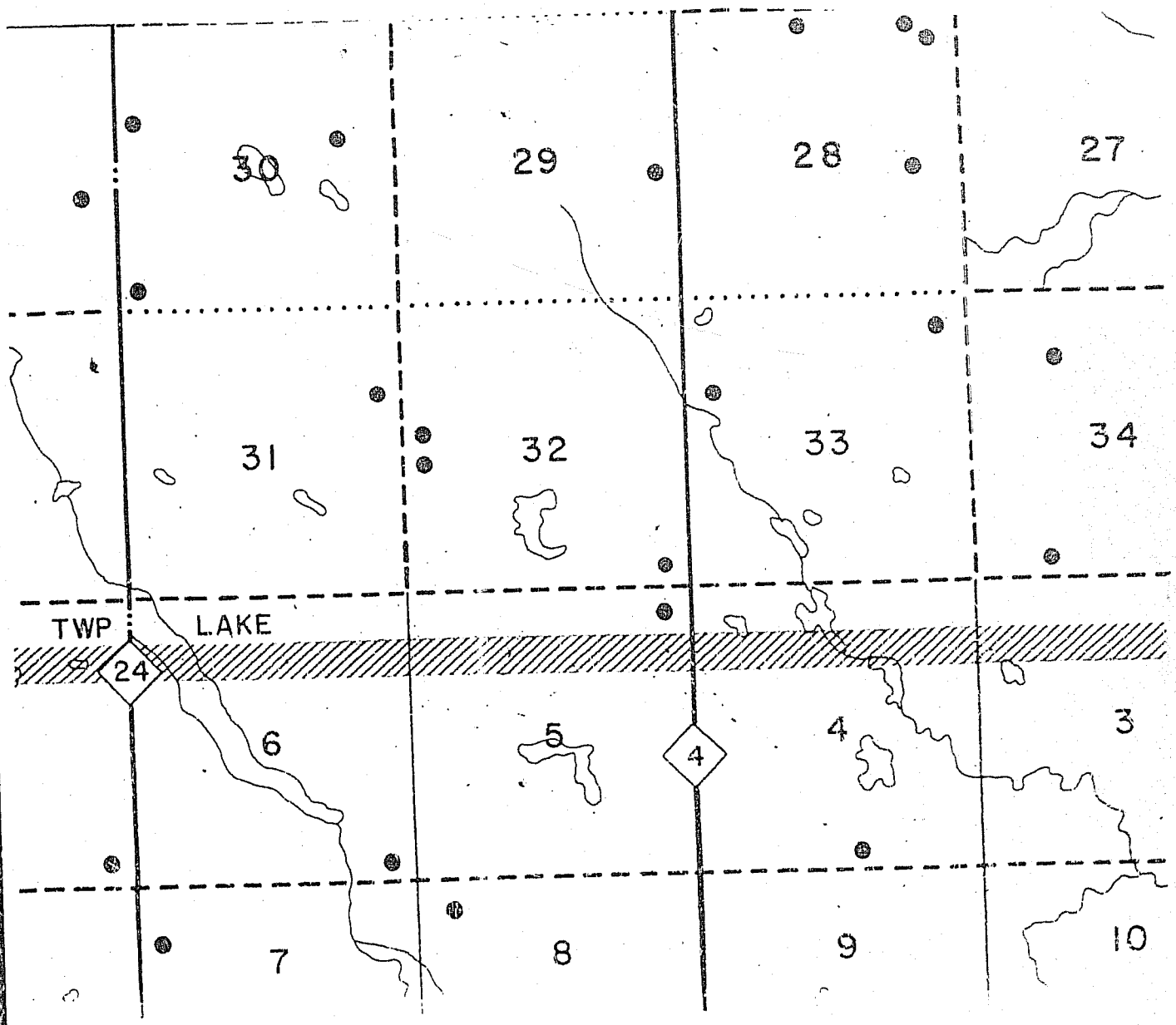
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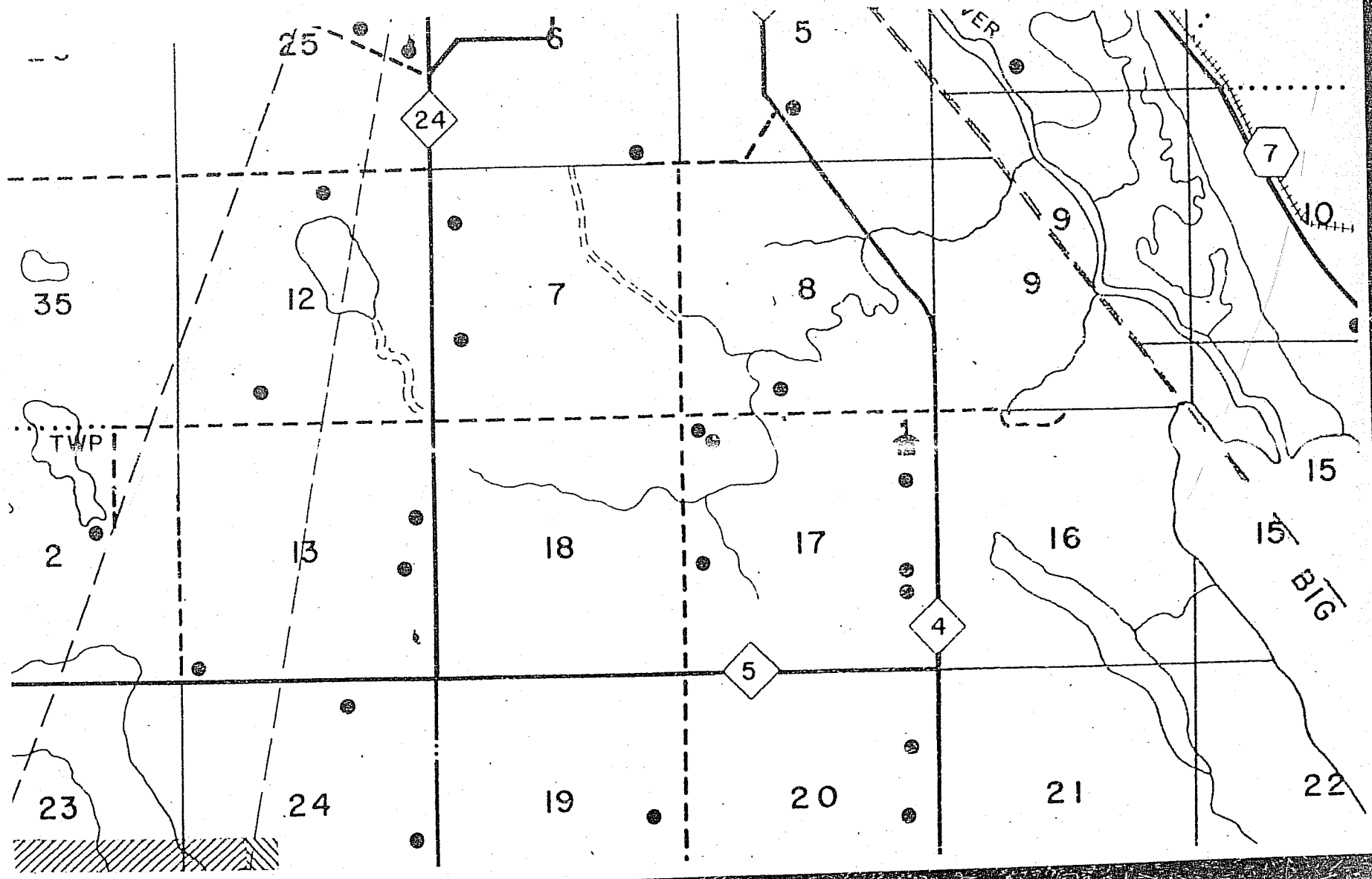
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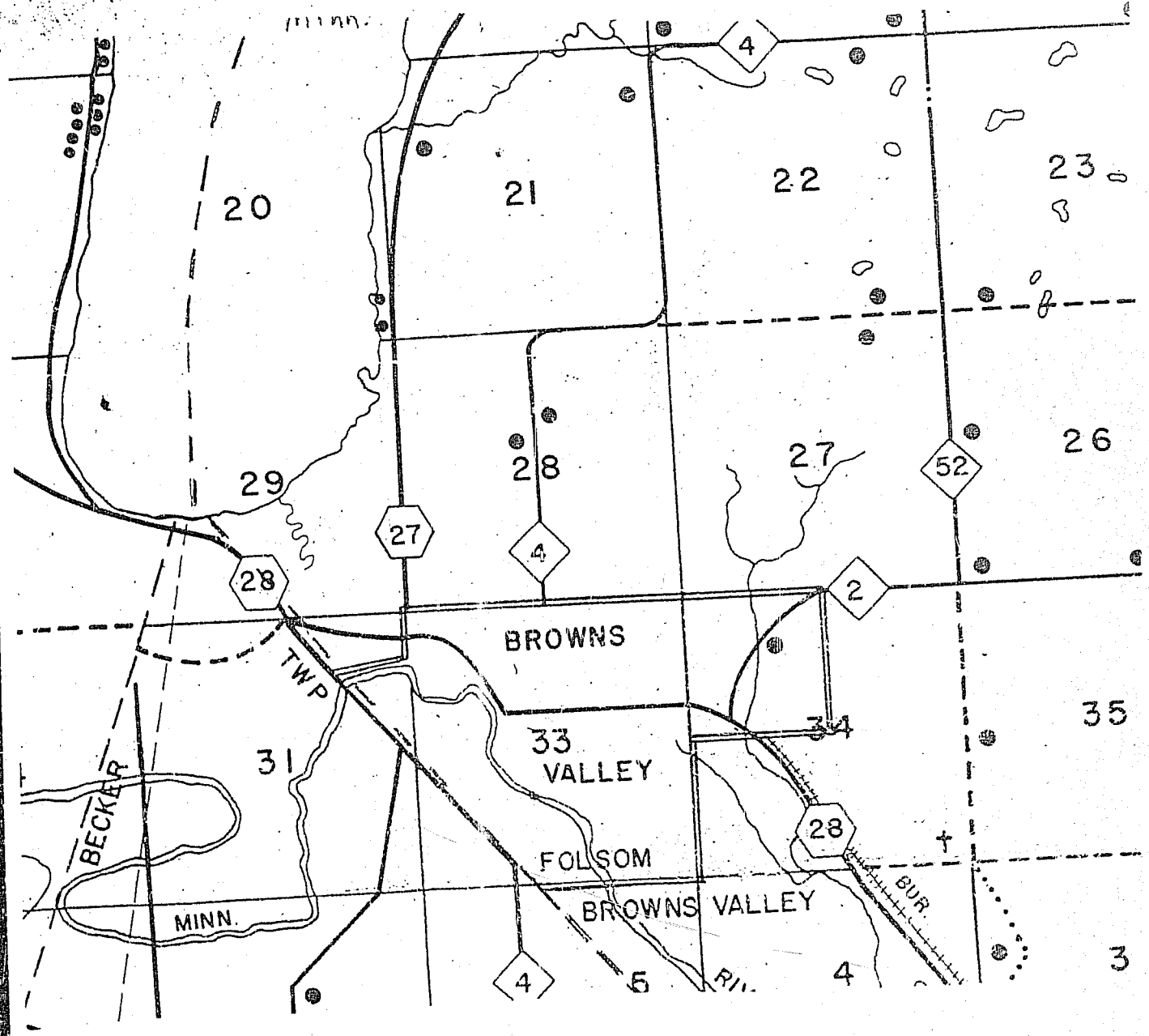

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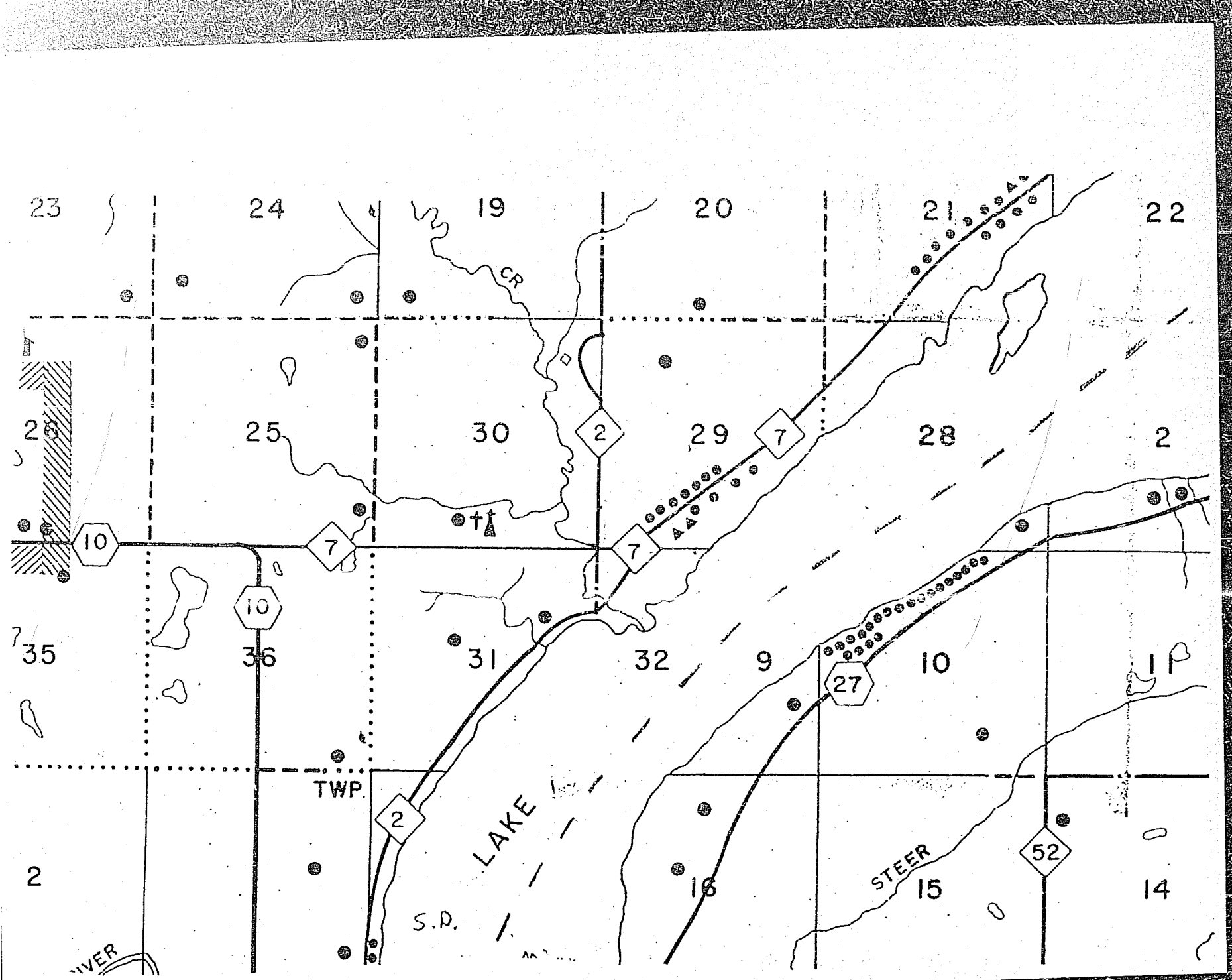
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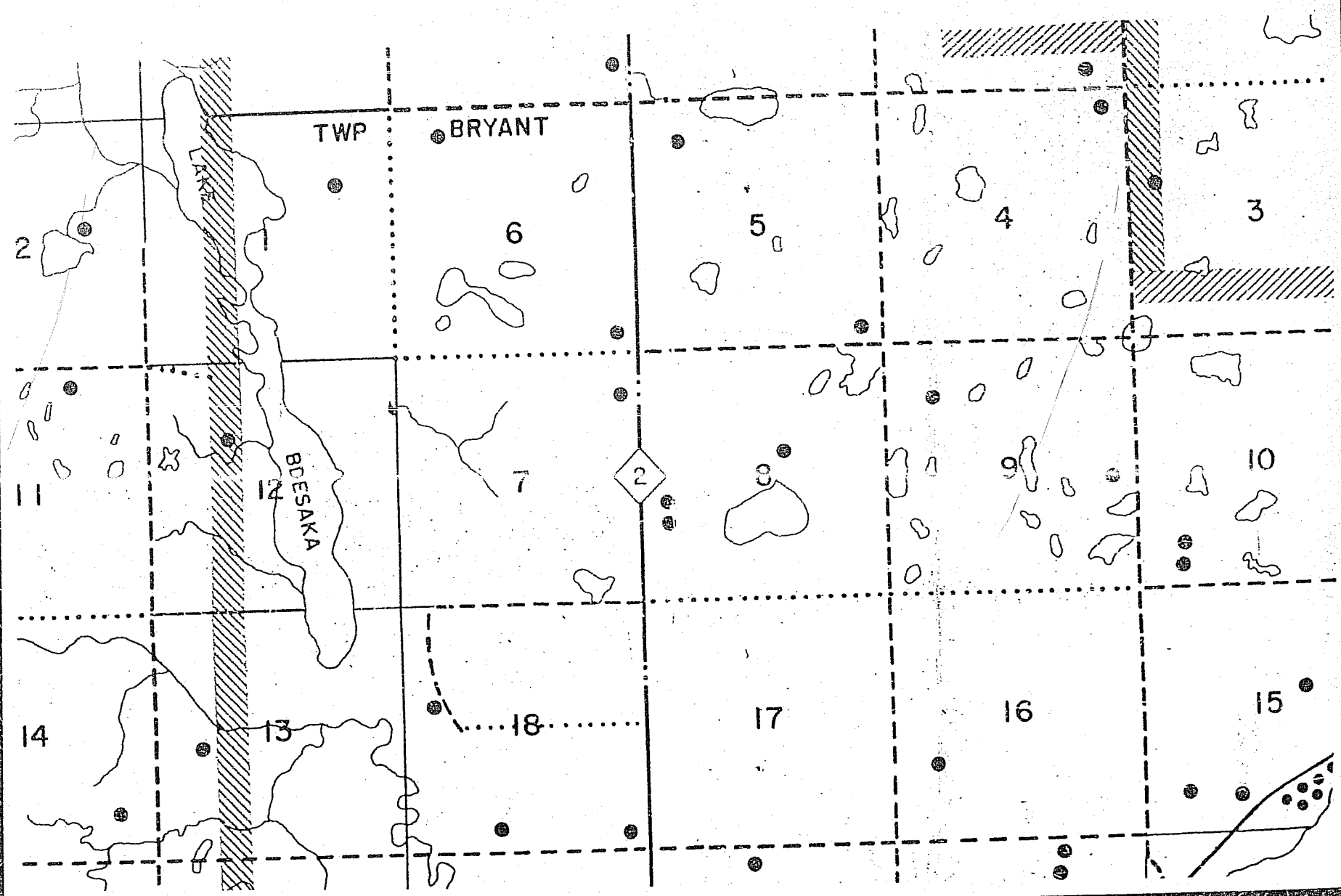
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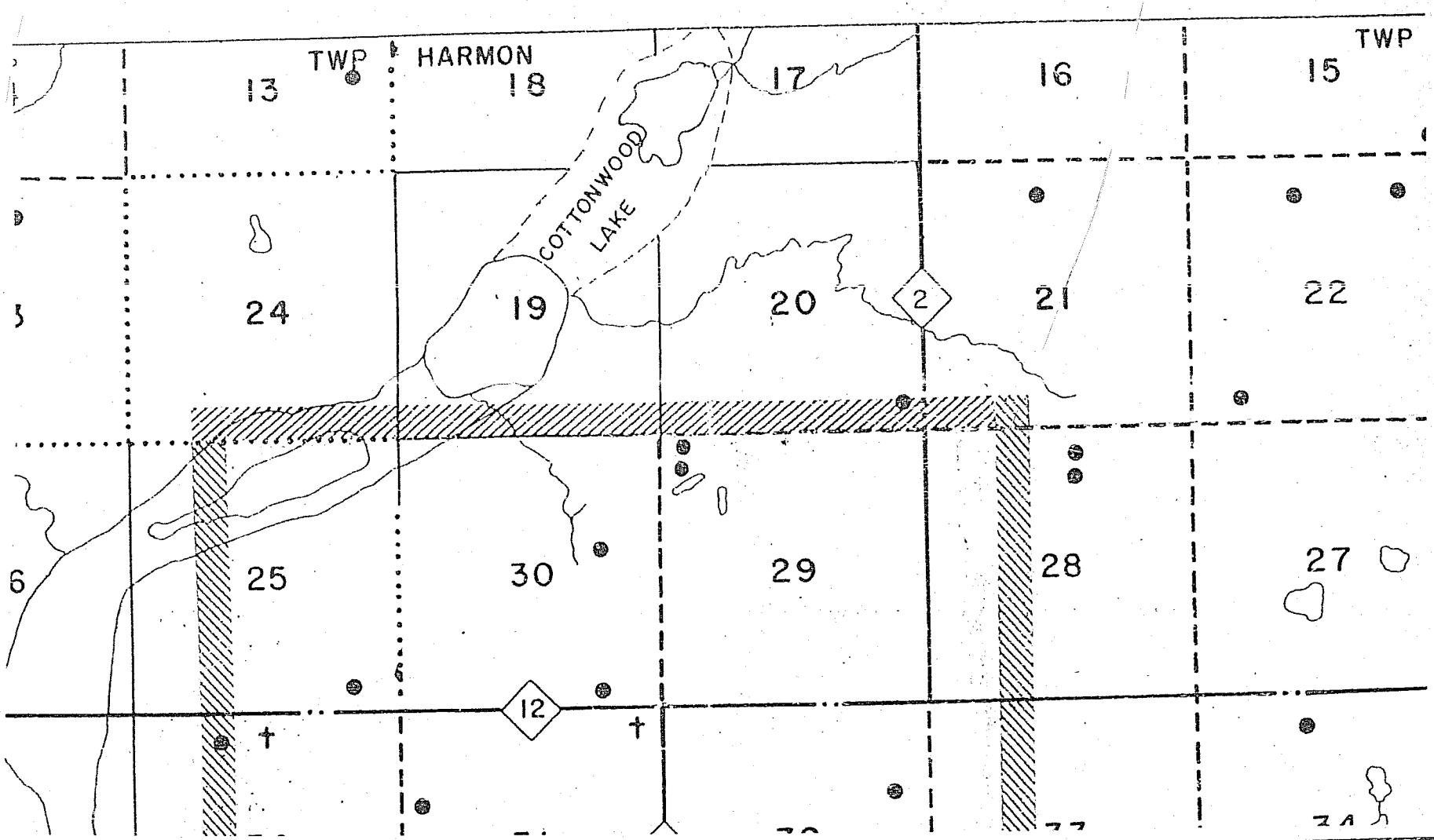
EXHIBIT A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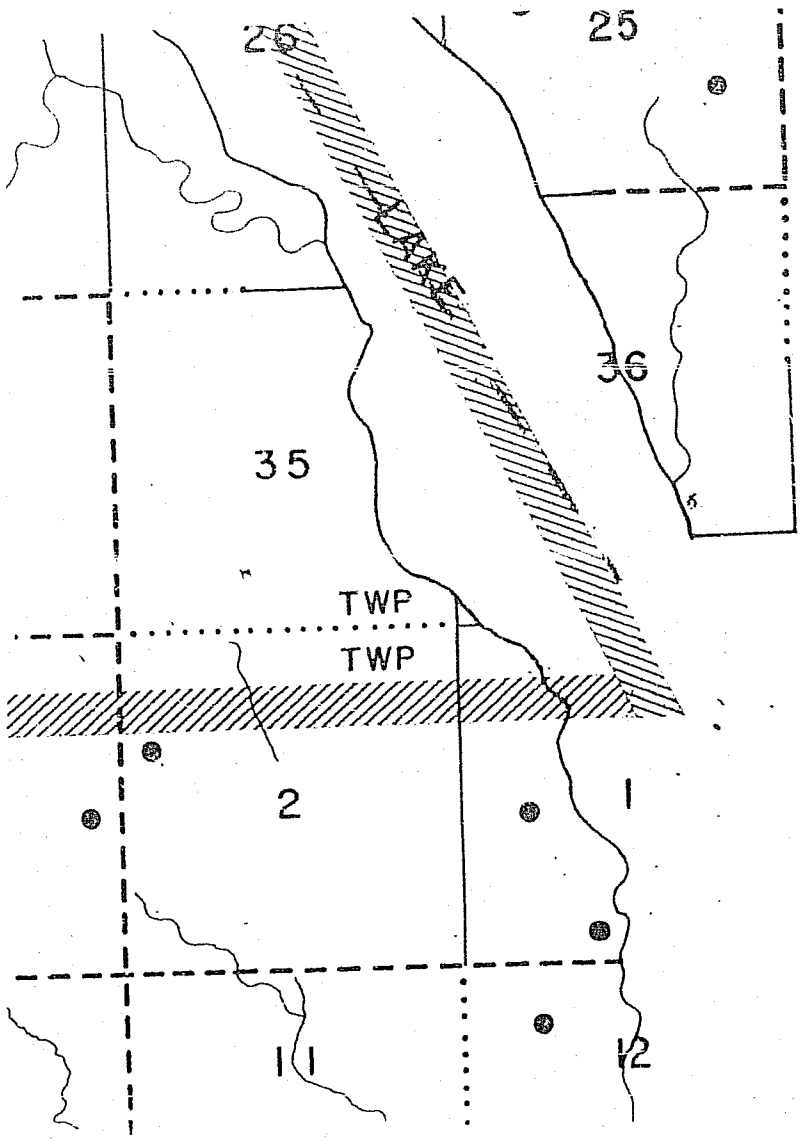
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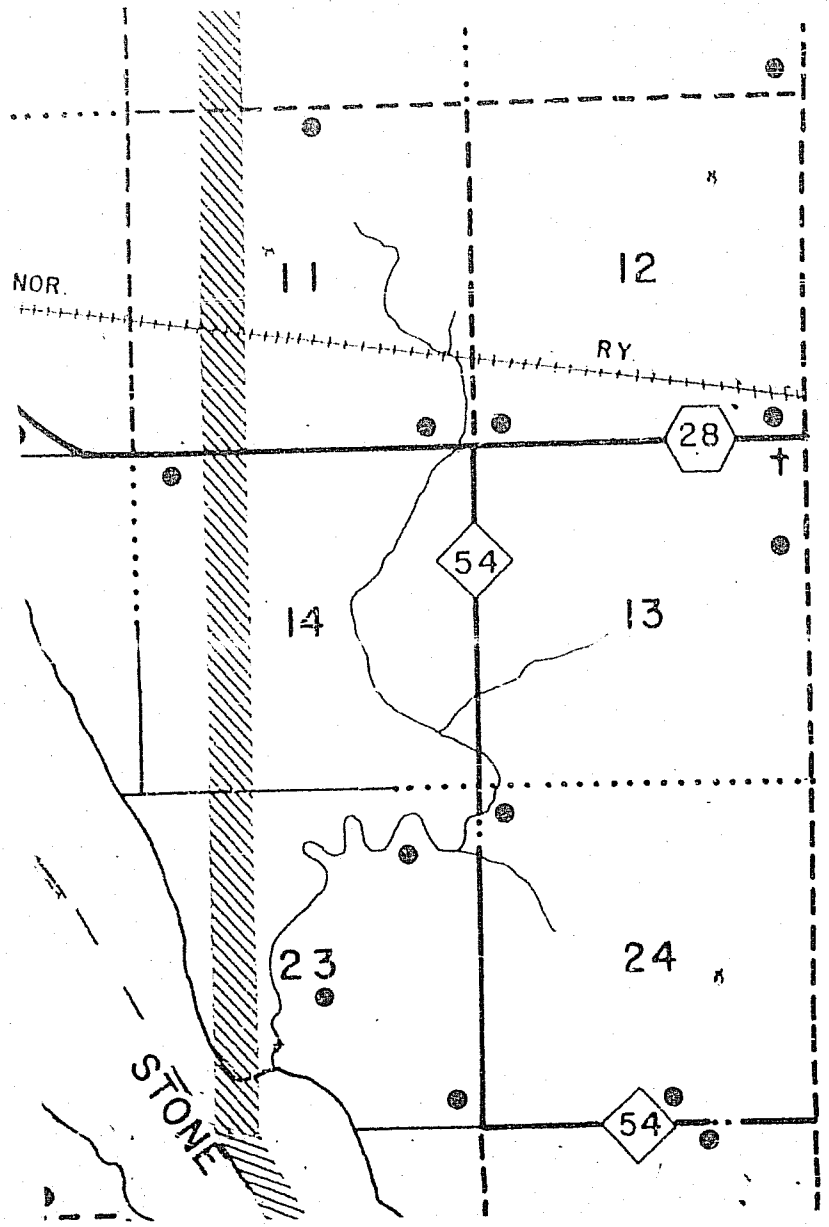
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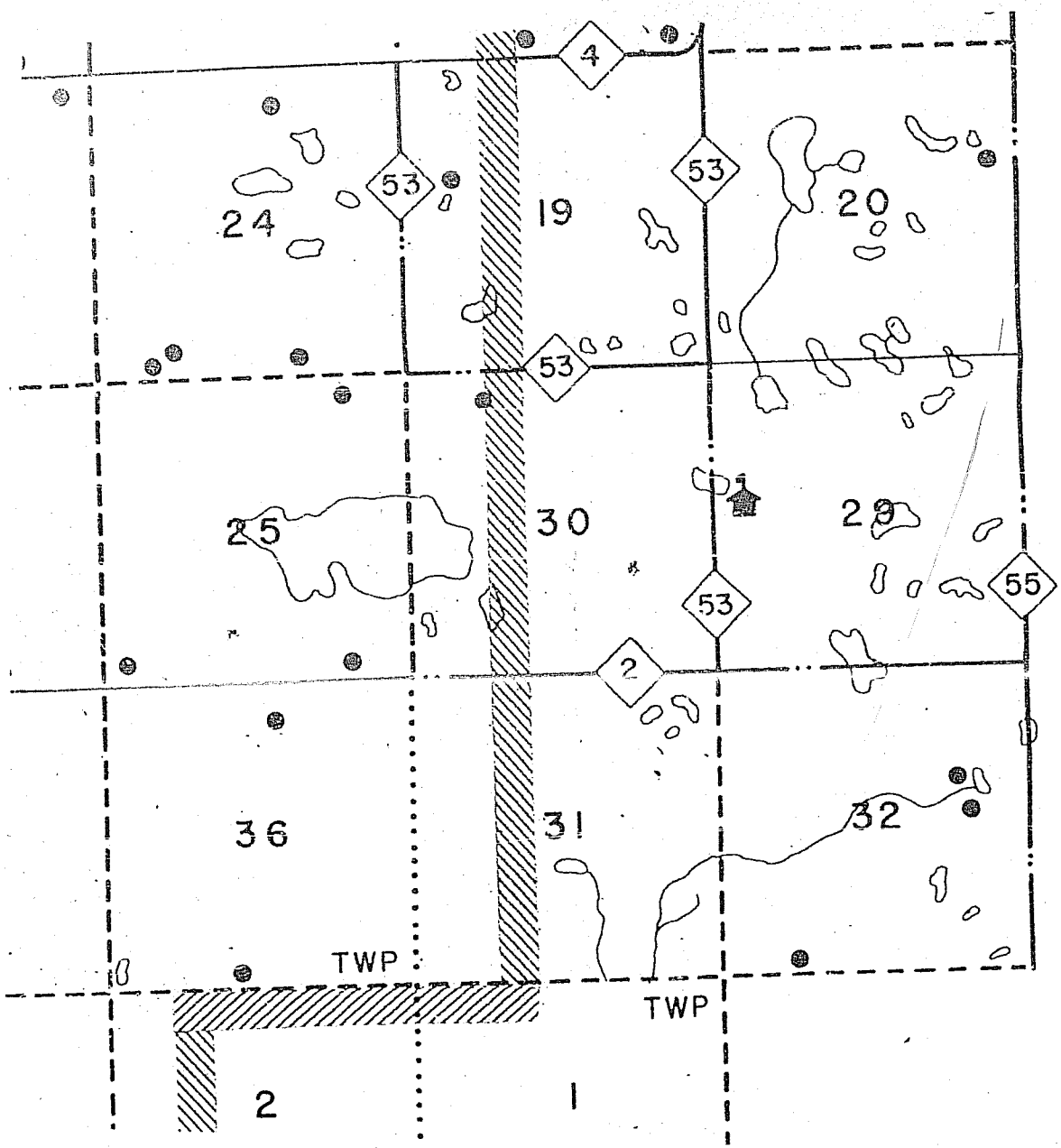
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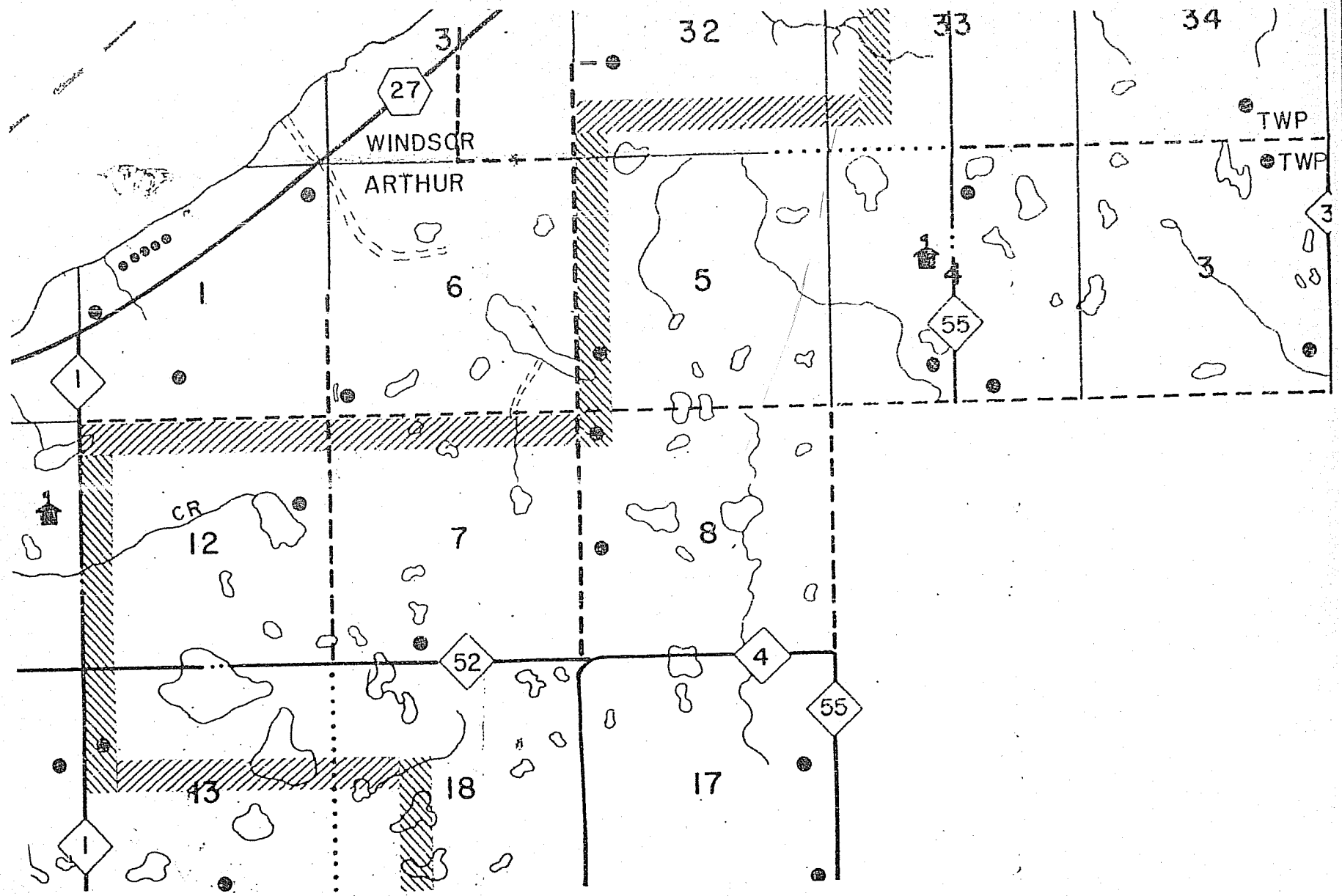
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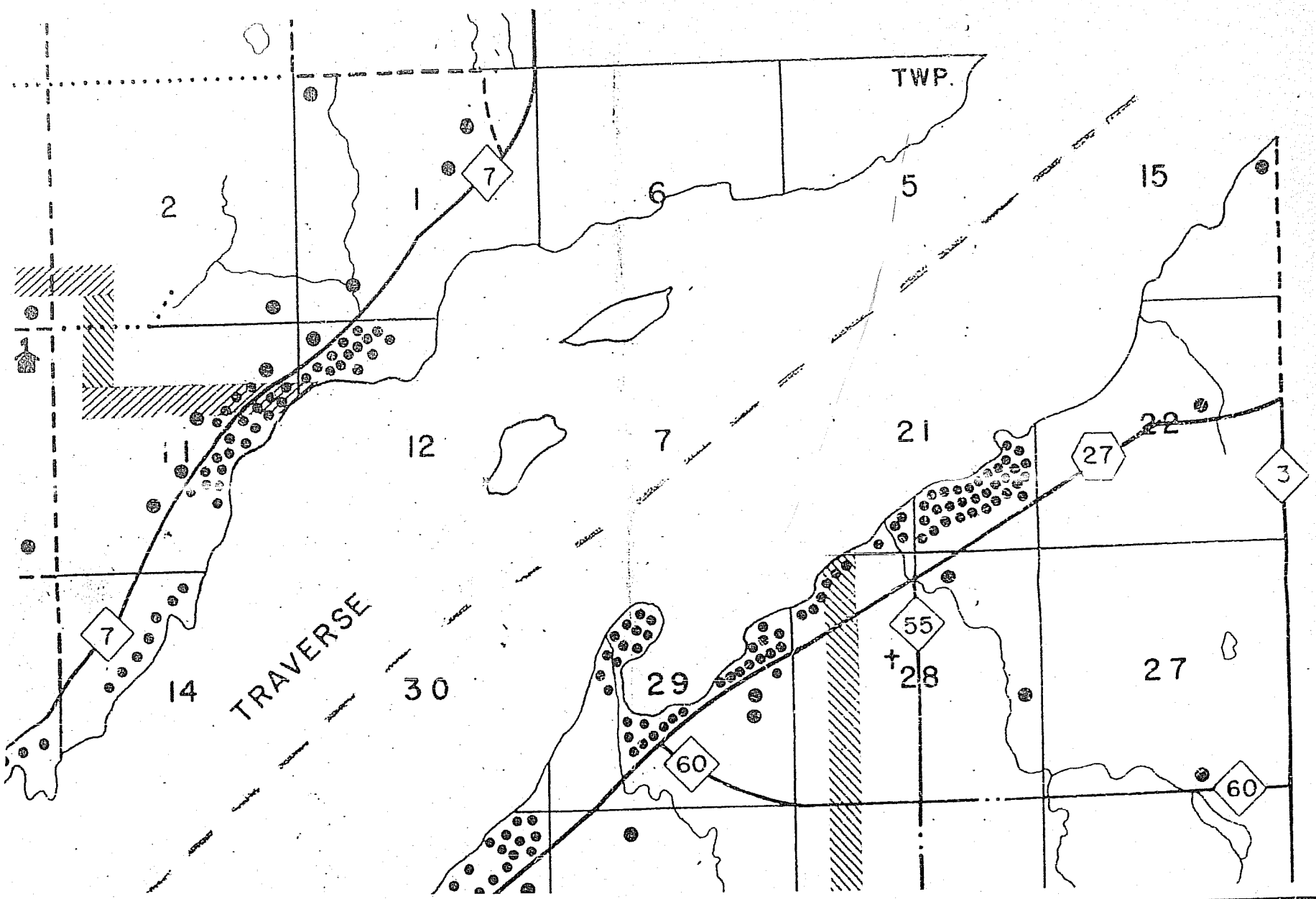
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EXHIBIT B

STOCK PURCHASE AGREEMENT

Dated September 1, 1998

By and Between

THE PARK REGION MUTUAL TELEPHONE COMPANY

(Purchaser)

And

RGI GROUP, INC.

(Seller)

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EXHIBITS

Exhibit A – Seller's Closing Certificate
Exhibit B – Mutual Release
Exhibit C - Agreement Regarding Indemnification
Exhibit D – Purchaser's Closing Certificate
Exhibit E – Accountants' Review Report

STOCK PURCHASE AGREEMENT

THIS AGREEMENT is made and entered into as of the 1st day of September 1998 (the "Agreement"), by and between The Park Region Mutual Telephone Company, a Minnesota cooperative ("Purchaser") and RGI Group, Inc., a Minnesota corporation ("Seller").

RECITALS

A. The Seller owns all of the issued and outstanding shares of capital stock of Valley Telephone Company, a Minnesota corporation("Valley").

B. Valley is engaged in the sole businesses of providing local exchange telephone services, long distance access, the sale of internet access and DirecTV DBS, and related telecommunications services (the "Businesses") in and around Browns Valley, Minnesota and West Browns Valley, South Dakota pursuant to licenses issued by the Minnesota Public Utilities Commission ("MPUC") and the South Dakota Public Utilities Commission ("SDPUC"), respectively.

C. The Seller desires to sell and the Purchaser desires to purchase all of the issued and outstanding shares of stock of Valley.

AGREEMENT

In consideration of the foregoing recitals and the mutual promises contained in this Agreement, Purchaser and the Seller agree as follows:

ARTICLE 1. DEFINITIONS

For purposes of this Agreement, the following terms have the meanings specified:

"AAA Rules" - has the meaning set forth in Section 9.4 of this Agreement.

"Accountant" - has the meaning set forth in Section 2.8 of this Agreement.

"Acquisition Proposal" - means any proposal relating to the possible acquisition of Valley whether by way of merger, purchase of capital stock of Valley representing fifty percent (50%) or more of the voting power or equity of Valley, purchase of all or substantially all of the assets of Valley, or otherwise.

"Affiliate" - when used in reference to a specified Person, means any Person that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with the specified Person.

"Agreement" - has the meaning set forth in the introductory paragraph hereof.

"Applicable Laws means any and all laws, ordinances, constitutions, regulations, statutes, treaties, rules, codes, licenses, certificates, franchises, permits, requirements and Injunctions adopted, enacted, implemented, promulgated, issued, entered or deemed applicable by or under the authority of any Governmental Body having jurisdiction over a specified Person or any of such Person's properties or assets.

"Balance Sheet" - has the meaning set forth in Section 3.12 of this Agreement.

"Balance Sheet Adjustment" - has the meaning set forth in Section 2.2(b) of this Agreement.

"Balance Sheet Date " - has the meaning set forth in Section 3.12 of this Agreement.

"Basket Amount" - has the meaning set forth in Section 9. 1 (a) of this Agreement.

"Benefit Plan" - means any and all bonus, stock option, restricted stock, stock purchase, stock appreciation, phantom stock, profit participation, profit-sharing, deferred compensation, severance, pension, retirement, disability, medical, dental, health, life or dental insurance, death benefit, incentive, welfare and/or other benefit, compensation and/or retirement plan, policy, arrangement and/or Contract maintained, sponsored or participated in by Valley.

"Businesses" - has the meaning set forth in the recitals to the Agreement.

"Closing" - has the meaning set forth in Section 2.3 of this Agreement.

"Closing Balance Sheet" - has the meaning set forth in Section 2.8(a) of this Agreement.

"Closing Certificate " - has the meaning set forth in Section 2.8 (a) of this Agreement.

"Code " - means the Internal Revenue Code of 1986, as amended, or any successor law and regulations issued by the IRS pursuant to the Internal Revenue Code or any successor law.

"Company" - has the meaning set forth in Section 3.9 of this Agreement.

"Competing Business" - has the meaning set forth in Section 3.26 of this Agreement.

"Consulting and Non-Competition Agreement"- has the meaning set forth in Section 2.4(i) of this Agreement.

"Contract means any agreement, lease, license, contract, obligation, promise, commitment, arrangements, understanding or undertaking, instrument, document (whether written or oral and whether express or implied) of any type, nature or description that is legally

binding. As used herein, the word "Contract" shall be limited in scope if modified by an adjective specifying the type of contract to which this Agreement or a Section hereof refers.

"Convertible Securities" - means any and all securities convertible or exchangeable for (i) any shares of capital stock of Valley, including, without limitation, common stock, or (ii) any Debt Securities.

"Date of Closing" - has the meaning set forth in Section 2.3 hereof.

"Debt Instruments" - has the meaning set forth in Section 3.29 of this Agreement.

"Debt Securities" - means any and all indebtedness issued by or on behalf of Valley which constitutes a security under the Securities Act of 1933, as amended, except for indebtedness reflected in the financial statements of Valley described on Schedule 3.12 hereto.

"Easements" - has the meaning set forth in Section 3.17 of this Agreement.

"Encumbrance" - means and includes:

(i) with respect to any personal property, any intangible property or any property other than real property, any security or other property interest or right, claim, lien, pledge, option, charge, security interest, contingent or conditional sale, or other title claim or retention agreement or lease or use agreement in the nature thereof whether voluntarily incurred or arising by operation of law, and including any agreement to grant or submit to any of the foregoing in the future; and

(ii) with respect to any real property (whether and including Owned Real Estate or Leased Real Estate), any mortgage, lien, easement, interest, right-of-way, condemnation or eminent domain proceeding, encroachment, any building, use or other form of restriction, encumbrance or other claim (including adverse or prescriptive) or right of third parties (including Governmental Bodies), any lease or sublease (other than Valley's lease on Leased Real Estate), boundary dispute, and agreements with respect to any real property including: purchase, sale, right of first refusal, option, construction, building or property service, maintenance, property management, conditional or contingent sale, use or occupancy, franchise or concession, whether voluntarily incurred or arising by operation of law, and including any agreement to grant or submit to any of the foregoing in the future.

"Environmental Laws" - means any and all Applicable Laws (i) regulating the use, treatment, generation, transportation, storage, control or disposal of any Hazardous Material, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act (42 U. S.C. § 9601 et seq.) ("CERCLA"), the Resource Conservation and Recovery Act (42 U. S.C. § 6901 et seq.), the Hazardous Materials Transportation Act (49 U.S.C. § 1801 et seq.), the Federal Water Pollution Control Act (33 U. S.C. § 1251 et seq.), the Clean Water Act (33 U. S.C. § 1251 et seq.), the Clean Air Act (42 U.S. C. § 7401 et seq.), the Toxic Substances Control Act (15 U.S. C. § 2601 et seq.), the Minnesota Environmental Response and Liability

Act (Minn. Stat. Ch. 115B), and the Minnesota Petroleum Tank Release Cleanup Act (Minn. Stat. Ch. 115C), and/or (ii) relating to the protection, preservation or conservation of the environment and public or worker health and safety, all as existing, defined or interpreted as of the Date of Closing.

"Expiration Date" - has the meaning set forth in Section 2.9(a) of this Agreement.

"FCC" - means the Federal Communications Commission of the United States of America.

"Final Order" - has the meaning set forth in Section 6.2 of this Agreement.

"GAAP" - means generally accepted accounting principles in the United States.

"Governmental Body" - any:

(i) nation, state, county, city, town, village, district or other jurisdiction of any nature;

(ii) federal, state, local, municipal, foreign or other government;

(iii) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, board, commission, department, instrumentality, office or other entity, and any court or other tribunal);

(iv) multi-national organization or body; and/or

(v) body exercising, or entitled or purporting to exercise, any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power of any nature.

"Hazardous Materials" - any and all (i) dangerous, toxic or hazardous pollutants, contaminants, chemicals, wastes, materials or substances listed or identified in, or directly or indirectly regulated by, any Environmental Law, and (ii) any of the following, whether or not included in the foregoing: polychlorinated biphenyls, asbestos in any form or condition, urea-formaldehyde, petroleum, including crude oil or any fraction thereof, natural gas, natural gas liquids, liquefied natural gas, synthetic gas usable for fuel or mixtures thereof, nuclear fuels or materials, chemical wastes, radioactive materials, explosives and known possible carcinogens.

"Indemnification Account" - has the meaning set forth in Section 2.9(a) of this Agreement.

"Indemnification Holdback" - has the meaning set forth in Section 2.2(a) of this Agreement.

"Indemnification Notice" - has the meaning set forth in Section 2.9(b) of this Agreement.

"Indemnified Party" - has the meaning set forth in Section 9.3 of this Agreement.

"Indemnifying Party" - has the meaning set forth in Section 9.3 of this Agreement.

"Independent Accountants" - has the meaning set forth in Section 2.8 (c) of this Agreement.

"Injunction" - means any and all writs, rulings, awards, directives, injunctions (whether temporary, preliminary or permanent), judgments, decrees or other orders adopted, enacted, implemented, promulgated, issued, entered or deemed applicable by or under the authority of any Governmental Body.

"Intellectual Property"-means any and all (i) inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and all patents, patent applications and patent disclosures, together with all reissuances, continuations, continuations in part, revisions, extensions and reexaminations thereof, (ii) trademarks, service marks, trade dress, logos, trade names, assumed names and corporate names, together with all translations, adaptations, derivations and combinations thereof and including all goodwill associated therewith, and all applications, registrations and renewals in connection therewith; (iii) copyrightable works, all copyrights and all applications, registrations and renewals in connection therewith; (iv) mask works and all applications, registrations and renewals in connection therewith; (v) trade secrets and confidential business information (including ideas, research and development, know-how, technology, formulas, compositions, manufacturing and production processes and techniques, technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information and business and marketing plans and proposals); (vi) computer software (including data and related software program documentation in computer-readable and hard-copy forms); (vii) other intellectual property and proprietary rights of any kind, nature or description; and (viii) copies of tangible and embodiments thereof (in whatever form or medium).

"IRS" - means the United States Internal Revenue Service.

"Knowledge" or "Best Knowledge" - an individual will be deemed to have "Knowledge" or "knowledge" of a particular fact or other matter if such individual is actually aware of such fact or other matter. Seller shall be deemed to have Knowledge as to matters regarding Valley of which C. Max Tite, William Chase, or any of Valley's or Seller's officers have Knowledge.

"Liability" or "Liabilities" - means any and all debts, liabilities and/or obligations of any type, nature or description (whether known or unknown, asserted or unasserted, secured or unsecured, absolute or contingent, accrued or unaccrued, liquidated or unliquidated and whether due or to become due).

"Losses" - has the meaning set forth in Section 9.1 of this Agreement.

"Management Fee" - has the meaning set forth in Section 5.11 of this Agreement.

"Material Adverse Effect" or "Material Adverse Change" - means, in connection with any Person, any event, change or effect that is materially adverse, individually or in the aggregate, to the condition (financial or otherwise), properties, assets, Liabilities, revenues, income, business, operations, results of operations or prospects of such Person taken as a whole.

"MEANS" - has the meaning set forth in Section 5.9 of this Agreement.

"MPUC " - has the meaning set forth in the recitals to this Agreement.

"Operating Contract" - has the meaning set forth in Section 3.16 of this Agreement.

"Ordinary Course of Business " - means an action taken by a Person only if

(i) such action is consistent with the past practices of such Person and is taken in the ordinary course of the normal day-to-day operations of such Person; and

(ii) such action is not required to be authorized by the board of directors of such Person (or by any Person or group of Persons constituting a governing body of a Person exercising similar authority).

"PCBs" - has the meaning set forth in Section 3.28(g) of this Agreement.

"Pending Claims Amount" - has the meaning set forth in Section 2.9(b)(iii) of this Agreement.

"Permitted Encumbrances" - has the meaning set forth in Section 3.17(d) of this Agreement.

"Person" - means any individual, corporation (including any non-profit corporation), general, limited or limited liability partnership, limited liability company, joint venture, estate, trust, association, organization, or other entity or Governmental Body.

"Proceeding" - means any suit, litigation, arbitration, hearing, audit, investigation or other action (whether civil, criminal, administrative or investigative) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Body or arbitrator.

"PUC" - means a public utilities commission of any state.

"Purchase Price" - has the meaning set forth in Section 2.2 of this Agreement.

"Purchaser" - has the meaning set forth in the introductory paragraph hereof.

"RGI Sale" - means any transfer of fifty percent (50%) or more of the issued and outstanding stock in Seller to one or more individuals or entities.

"RGI Sale Indemnification Account" – has the meaning set forth in the RGI Shareholders Agreement.

"RGI Shareholders Agreement" – has the meaning set forth in Section 2.4(k) of this agreement.

"Real Estate" - has the meaning set forth in Section 3.17 of this Agreement.

"Related Person" - means, with respect to a particular individual,

(i) each other member of such individual's Family (as hereafter defined); and

(ii) any Affiliate of one or more members of such individual's Family.

With respect to a specified Person other than an individual:

(i) any Affiliate of such specified Person; and

(ii) each Person that serves as a director, governor, officer, manager, general partner, executor or trustee of such specified Person (or in a similar capacity). For purposes of this definition, the *"Family"* of an individual includes (i) such individual, (ii) the individual's spouse, (iii) any lineal ancestor or lineal descendant of the individual, or (iv) a trust for the benefit of any of the foregoing.

"Response Period" - has the meaning set forth in Section 2.8(c) of this Agreement.

"Rights" shall mean any and all outstanding subscriptions, warrants, options, or other arrangements or commitments obligating or which may obligate (with or without notice or passage of time or both) Valley to issue or dispose of any securities of Valley, including, without limitation, Convertible Securities and Debt Securities.

"Schedules" - has the meaning set forth in the introduction to Article 3 of this Agreement.

"SDPUC " - has the meaning set forth in the recitals to this Agreement.

"Section 338(h)(10) Election " - has the meaning set forth in Section 2.6(a) of this Agreement.

"Seller" - has the meaning set forth in the introductory paragraph hereof.

"Small Loss" - has the meaning set forth in Section 9.1 (a) of this Agreement.

"Stock" - has the meaning set forth in Section 2.1 of this Agreement.

"Supplement" - has the meaning set forth in Section 11.23 of this Agreement.

"Tax" or *"Taxes"* - means any and all net income, gross income, gross revenue, gross receipts, net receipts, ad valorem, franchise, profits, transfer, sales, use, social security, employment, unemployment, disability, license, withholding, payroll, privilege, excise, value-added, severance, stamp, occupation, property, customs, duties, real estate and/or other taxes, assessments, levies, fees or charges of any kind whatsoever imposed by any Governmental Body, together with any interest or penalty relating thereto.

"Tax Holdback" - has the meaning set forth in Section 2.2(a) of this Agreement.

"Tax Payment Account" - has the meaning set forth in Section 2.6(b) of this Agreement.

"Tax Return" - means any return, declaration, report, claim for refund or information return or statement relating to Taxes, including without limitation any schedule or attachment thereto, any amendment thereof, and any estimated report or statement.

"Threatened" - a claim, Proceeding, dispute, action, or other matter will be deemed to have been "Threatened" if any demand or statement has been made in writing, or any notice has been given in writing, that would lead a reasonably prudent Person to conclude that such a claim, Proceeding, dispute, action, or other matter will, with substantial certainty, be asserted, commenced, taken or otherwise pursued in the future; provided, however that the foregoing shall not include customer billing disputes in the Ordinary Course of Business.

"Transaction Tax" - has the meaning set forth in Section 2.6(b) of this Agreement.

"Valley" - has the meaning set forth in the recitals to this Agreement.

ARTICLE 2. PURCHASE OF STOCK; PURCHASE PRICE

2.1 **Purchase and Sale.** On the terms and conditions subject to the conditions in this Agreement, the Seller shall sell to the Purchaser and the Purchaser shall purchase from the Seller all of the issued and outstanding shares of capital stock of Valley (collectively, the "Stock").

2.2 **Purchase Price.**

(a) The purchase price for the Stock (the "Purchase Price") shall be the aggregate of

and the adjustment specified in Section 2.2(b). The Purchase Price of less the estimated amount of the adjustment, if any, computed in accordance with the provisions of Section 2.2(b) hereof, less (the "Indemnification Holdback"), and less (the "Tax Holdback"), shall be paid by Purchaser to Seller on the Date of Closing in immediately available funds by wire transfer or other similar method to an account or accounts specified by Seller.

(b) Balance Sheet Adjustment. That of the Purchase Price shall be decreased by the amount, if any, by which (x) is greater than (y): (x) being the amount, if any, by which shareholder's equity on the finally determined Closing Balance Sheet is

less than and (y) being the amount, if any, by which current assets minus current liabilities on the finally-determined Closing Balance Sheet is greater than (the "Balance Sheet Adjustment"). For purposes of estimating or finally determining the Balance Sheet Adjustment, if (i) the amount of the calculated shareholder's equity equals or exceeds the amount used in the formula to represent (x) shall be $0, and (ii) the amount of the current assets minus current liabilities does not exceed , the amount used in the formula to represent (y) shall be $0. The estimated amount of the Balance Sheet Adjustment shall be jointly agreed upon between Seller and Purchaser in good faith prior to the Closing, and the estimated Balance Sheet Adjustment so determined shall be withheld from the amount payable to Seller at Closing, and reconciled after the Date of Closing in accordance with Section 2.8 hereof.

2.3 **Closing.** The Closing of the transaction described herein (the "Closing") will take place at 10:00 a.m. on the date to be specified by the parties, unless this Agreement is terminated in accordance with Article 10 hereof, which shall be no later than the last day of the month which is at least five business days after the latest to occur of the conditions set forth in Articles 6, 7 and 8 shall have been fulfilled or waived in accordance with this Agreement (the "Date of Closing"), at the offices of Moss & Barnett, 4800 Norwest Center, Minneapolis, Minnesota, unless another date, time or place is agreed to in writing by the parties hereto.

2.4 **Documents to be Delivered by Seller.** At the Closing, Seller shall execute where necessary or appropriate, and deliver to Purchaser each and all of the following:

(a) A certificate in the form of Exhibit A hereto, signed by a duly authorized officer of Seller and dated as of the Date of Closing, to the effect that the representations and warranties made by Seller in this Agreement (as modified by the Schedules and any Supplement) and in any document, instrument and/or agreement to be executed and/or delivered by Seller pursuant to this Agreement are true and correct in all material respects at and as of the Closing with the same force and effect as those such representations and warranties had been made on or given at and as of the Closing and Seller has performed and complied with all of its covenants, agreements and obligations under this Agreement which are to be performed and complied with by Seller at or prior to Closing;

(b) The certificates evidencing the Stock endorsed in blank or accompanied by assignments separate from certificate duly endorsed in blank;

(c) A copy certified by the Secretary of the Seller of the duly adopted resolutions of the Board of Directors of Seller approving this Agreement and authorizing the execution and delivery of this Agreement, including the documents, instruments and agreements to be executed and/or delivered by Seller pursuant hereto, and the consummation of the transactions contemplated hereby and thereby;

(d) The minute book and stock book of Valley;

(e) If there have been any improvements constructed or repairs of existing improvements made with respect to any parcel of Real Estate within the last six months, or if any work has been done or labor or materials furnished with respect to any parcel of Real Estate, Seller agrees to deliver, and to cause Valley to deliver, to Purchaser on or before the Date of Closing such affidavits or other documents, including lien waivers, for any such work in a form sufficient to permit the title company issuing the title insurance policy called for hereunder to delete all mechanics' liens exceptions;

(f) Valley's affidavits for each parcel of Real Estate in a form sufficient to permit the title insurance company to delete the exceptions to title, if any, relating to parties in possession;

(g) Any other document or certificate that the title insurance company may reasonably require to issue the title insurance policies on the Real Estate in the form required by Section 7.8(a) hereof;

(h) Duly executed written opinion letters by Briggs and Morgan, Professional Association, counsel for Valley, and by Valley's counsel for any FCC matters dated as of the Date of Closing, addressed to Purchaser and its lenders, as contemplated by Section 7.5 of this Agreement;

(i) A Consulting and Non-Competition Agreement of George M. Revering in a form mutually agreed by the parties and Mr. Revering which provides for the payment to Mr. Revering of a consulting fee each year for five (5) years;

(j) A mutual release executed by Seller in the form of Exhibit B attached to this Agreement;

(k) An agreement of George M. Revering, Joyce D. Revering and the George M. Revering Irrevocable Trust U/A July 22, 1996 in the form of Exhibit C attached to this Agreement (the "RGI Shareholders Agreement"); and

(l) Such other documents and items as are reasonably necessary or appropriate to affect the consummation of the transactions contemplated hereby or which may be customary under local law.

2.5 **Documents to be Delivered by Purchaser.** At the Closing, Purchaser shall execute, where necessary or appropriate, and deliver to Seller each and all of the following:

(a) A certificate in the form of Exhibit D attached to this Agreement signed by a duly authorized officer of Purchaser, and dated as of the Date of Closing, to the effect that the representations and warranties made by Purchaser in this Agreement and in any document, instrument and/or agreement to be executed and/or delivered by Purchaser to this Agreement are true and correct in all material respects at and as of the Closing with the same force and effect as though such representations and warranties had been made on or given at and as of the Closing and the Purchaser has performed and complied

with all of its covenants, agreements and obligations under this Agreement which are to be performed and complied with by Purchaser at or prior to the Closing;

(b) The Purchase Price in the amount provided for in Section 2.2;

(c) A copy certified by the Secretary of the Purchaser of the duly adopted resolutions of the Board of Directors of Purchaser approving this Agreement and authorizing the execution and delivery of this Agreement, including the documents, instruments and agreements to be executed and/or delivered by Purchaser pursuant hereto, and the consummation of the transactions contemplated hereby and thereby;

(d) The Consulting and Non-Competition Agreement;

(e) A duly executed written opinion letter by Moss & Barnett, a professional association counsel for Purchaser, dated as of the Date of Closing, addressed to Valley, as contemplated by Section 8.4 of this Agreement;

(f) A mutual release in the form of Exhibit B attached to this Agreement; and

(g) Such other documents and items as are reasonably necessary or appropriate to effect the consummation of the transactions contemplated hereby or which may be customary under local law.

2.6 **Section 338(h)(10) Election; Payment of Transaction Tax.**

(a) The Seller and the Purchaser will join to make the election provided for under Section 338(h)(10) of the Code (and any corresponding elections under state and local Tax law) in connection with the consummation of the transactions contemplated hereby (the "Section 338(h)(10) Election"), which fully completed Election, and all required or necessary schedules, exhibits, calculations or other attachments for any filings, shall be executed and filed as soon as practicable following the Closing. Purchaser and Seller shall, after appropriate consultation, mutually agree on any entries in the Section 338(h)(10) Election on Form 8023 which allow the exercise of discretion. Seller will include any income, gain, loss, deduction or other tax item resulting from the transaction contemplated hereby and the Section 338(h)(10) Election on its income Tax Returns for the period ending with the Date of Closing. As soon as practicable following the Date of Closing, the Seller and Purchaser shall mutually prepare and complete a Form 8023, with all attachments, and the Seller and the Purchaser shall sign such Form 8023 and analogous forms for any applicable state and local elections. Seller shall file such completed forms in accordance with applicable governmental regulations.

(b) The Seller shall pay all federal, state and local income Tax imposed on Valley attributable to the transaction contemplated hereby and the making of the Section 338(h)(10) Election, including, but not limited to, any transferee tax liability imposed under Treasury Regulation Section 1.338(h)(10)-1(e)(5) (collectively, the "Transaction Tax"). The Tax Holdback shall be withheld from the amount payable to Seller at Closing

and shall be deposited by Purchaser into a segregated, short-term investment account in the name of Seller (the "Tax Payment Account") at a bank which is mutually acceptable to the parties. Withdrawals from the Tax Payment Account shall require the signature of an authorized signatory of Seller and an authorized signatory of Purchaser. Seller shall cause its accountants to calculate the Transaction Tax. On or before the next date following the Date of Closing that Seller is scheduled by Applicable Law to make estimated or actual federal and state Tax payments with respect to Seller's income, Seller and Purchaser shall cause cashier's checks to be drawn on the Tax Payment Account in the amount of the Transaction Tax calculated by Seller's Accountants up the total amount in the Tax Payment Account, payable to the IRS and the State of Minnesota Department of Revenue, respectively. Said cashier's checks shall be delivered to Seller and shall be submitted by Seller in a timely manner to the proper taxing authorities together with any return required by Applicable Law. If a party refuses to authorize the drawing of the cashier's checks pursuant to this Section 2.6(b) to pay the Transaction Tax, that party shall be liable for any interest and penalties which accrue to Seller due to the failure to pay the Transaction Tax on a timely basis. The entire amount in the Tax Payment Account which exceeds the portion of the account used to pay the Transaction Tax shall be disbursed to Seller at the time the cashier's checks for the Transaction Tax are delivered to Seller. Nothing in this Section 2.6(b) shall affect Seller's obligation to pay the entire Transaction Tax.

2.7 **Certain Tax Matters.** Prior to or after the Closing, as applicable, the Seller shall prepare and file timely all federal, state and local income Tax Returns which include the Tax reporting requirements for Valley for all periods ending on or prior to the Date of Closing. The Purchaser shall provide complete access to all records of the Businesses in accordance with Section 5.8 hereof for the purpose of timely preparation and filing of such Tax Returns. The Seller shall permit the Purchaser to review and comment on each federal and state income Tax Return described in the preceding sentence which is to be filed after the Date of Closing at least seven (7) days prior to any required filing date after the Date of Closing.

2.8 **Determination of Purchase Price Adjustments; Closing Balance Sheet; Final Payment.**

(a) Promptly following the Date of Closing (but in any event within ninety (90) days after the Date of Closing), Seller shall cause to prepare and deliver to Purchaser a certification (the "Closing Certificate") prepared by Olsen, Thielen & Co., Ltd. (the "Accountant"). The Closing Certificate shall include:

(i) An itemized calculation of the Balance Sheet Adjustment pursuant to Section 2.2(b) of this Agreement;

(ii) A closing balance sheet (the "Closing Balance Sheet") prepared in accordance with Sections 2.8(b), (c) and (d) of this Agreement;

(iii) Copies of all supplementary documents, work papers, and other data relating to the Closing Certificate; and

(iv) Such other supplementary evidence as the Purchaser may reasonably require either prior to or after delivery of the Closing Certificate.

(b) In connection with the preparation of the Closing Balance Sheet and all other matters arising under the Closing Certificate. Purchaser and Valley shall afford Seller and its representatives complete access to the books, records, personnel and facilities of or pertaining to Valley to permit the Accountant to review such information as is necessary or desirable to prepare the Closing Balance Sheet and all other statements arising under the Closing Certificate.

(c) The itemized calculation of the Balance Sheet Adjustment shall be presented and calculated in accordance with Exhibit E hereto. For purposes of the Balance Sheet Adjustment, in the event any amount was withheld at the Closing which (i) exceeds the amount that is determined by the Accountant to have been properly withheld, the difference shall be due to Seller, or (ii) is less than the amount that is determined by the Accountant to have been properly withheld, the difference shall be payable to Purchaser.

(d) The Closing Balance Sheet shall consist of the statement of the Accountant based on a review of the balance sheet of Valley as of the close of business on the Date of Closing in accordance with GAAP consistently applied by Valley (including any change in accounting methods or principles disclosed in any Schedule or Supplement) and without giving effect to the consummation of the transactions contemplated hereby. The Accountant's statement on the Closing Balance Sheet shall be unqualified, except for the modifications to GAAP mandated by this Agreement for the proper presentation and calculation of the matters required to be included with and in the Closing Certificate. The expense of the preparation of the Closing Balance Sheet by Seller shall be borne by Seller. The parties hereby acknowledge and agree that, regardless of whether it is otherwise required by GAAP, or whether it is inconsistent with the past accounting practices of Valley, the Closing Balance Sheet shall not contain accruals for the expenses associated with the preparation of the Closing Balance Sheet.

In addition to the foregoing, the Closing Balance Sheet prepared by the Accountants shall be adjusted to reflect the following adjustments and departures from GAAP applied in a manner consistent with all of Valley's past accounting practices:

(i) An adjusting entry shall be made to debit a newly created current asset account entitled "Prepaid Construction Costs" and to credit either the appropriate fixed asset account or retained earnings, to reflect any and all payments on Valley's books and records since January 1, 1998 such that any construction or improvement costs incurred by Valley since January 1, 1998 are reflected as "working capital neutral" in or on the Closing Balance Sheet; and

(ii) An adjusting entry shall be made to debit a newly created current asset account entitled "Long Term Debt Paid" and to credit a newly created account "Long Term Debt" to reflect all payments by Valley of any debt classified in or on Valley's December 31, 1997 financial statements in the long term (non-current) debt category of such financial statements.

(e) If Purchaser concludes that any matter reported in the Closing Certificate is not accurate, the Purchaser shall, within twenty (20) days after its receipt of the Closing Certificate (the "Response Period"), deliver to the Seller a written statement setting forth a specific description of each of its objections and each of any discrepancies believed to exist. If no notice of any objections or discrepancies is given within the Response Period, then the calculations set forth in the Closing Certificate shall be controlling for all purposes of this Agreement, and Purchaser or Seller, as the case may be, shall pay the other the amount which they are obligated to pay in accordance with the Closing Certificate pursuant to Section 2.8(g) below.

(f) Purchaser and Seller shall use good faith efforts to jointly resolve the properly noticed objections and discrepancies within fifteen (15) day s of the receipt of the written statement of objections and discrepancies, which resolution, if achieved, shall be fully and completely binding upon all parties to this Agreement and not subject to further review, appeal, or dispute. If Purchaser and Seller are unable to resolve the objections and discrepancies to their mutual satisfaction within such fifteen (15) day period, then the matter shall be submitted to a mutually acceptable accounting firm of national reputation with experience in the local exchange telephone industry (the "Independent Accountants"). In submitting a dispute to the Independent Accountants, each of the parties shall concurrently furnish, at its own expense, to the Independent Accountants and the other party such documents and information as the Independent Accountants may request. Each party may also furnish to the Independent Accountants such other information and documents as it deems relevant, with the appropriate copies and notification being concurrently given to the other party. Neither party shall have or conduct any communication, either written or oral, with the Independent Accountants without the other party either being present or receiving a concurrent copy of any written communication. The Independent Accountants may conduct a conference concerning the objections and disagreements between Seller and Purchaser, at which conference each party shall have the right to (i) present its documents, materials and other evidence (previously provided to the Independent Accountants and the other party) and (ii) to have present its or their advisors, accountants and/or counsel. The Independent Accountants shall promptly (but not to exceed thirty (30) days from the date of engagement of the Independent Accountants) render a decision on the issues presented, and such decision shall be final and binding on the parties.

(g) Within five (5) days of the earlier to occur of (i) any failure to object to the Closing Certificate within the Response Period, or (ii) receipt of the Independent Accountant's decision with respect to such dispute, if Purchaser is deemed to owe an amount to Seller, Purchaser shall pay such amount to the Seller, and if the Seller is determined to owe an amount to Purchaser, the Seller shall pay such amount to

Purchaser. All amounts owed by Purchaser or Seller to the other in accordance with this Section 2.8 shall be paid by certified or bank cashier's check or by wire transfer of immediately available funds with interest computed thereon from the Date of Closing at the prime rate charged on the date the payment becomes due by US Bank National Association, Minneapolis, Minnesota.

2.9 **Indemnification Holdback.**

(a) Establishment of Indemnification Account. The Indemnification Holdback shall be withheld from the amount payable to Seller at Closing and shall be deposited by Purchaser into a segregated, short-term investment account in the name of Seller (the "Indemnification Account") at a bank which is mutually acceptable to the parties. Withdrawals from the Indemnification Account shall require the signature of an authorized signatory of Seller and an authorized signatory of Purchaser. The expiration date (the "Expiration Date") of the Indemnification Account shall be the close of business occurring twelve (12) months following the Date of Closing (or the next business day if such day is not a business day). In the event any RGI Sale is consummated by closing prior to the Expiration Date, the entire remaining balance in the Indemnification Account shall be transferred to the RGI Sale Indemnification Account established pursuant to the RGI Shareholders Agreement.

(b) Indemnification Procedure.

(i) In the event that, following the Closing, Purchaser incurs Losses for which Purchaser believes it is entitled to indemnification from Seller in accordance with Section 9.1, then Purchaser shall submit to Seller a claim for indemnification describing in reasonable detail the nature and, to the extent reasonably practicable, the extent of the Losses that Purchaser believes are indemnifiable (an "Indemnification Notice"). If there is no dispute as to the applicability of indemnification for such Losses, Purchaser and Seller shall promptly transfer to Purchaser sufficient funds from the Indemnification Account to indemnify Purchaser for such Losses.

(ii) If, by the Expiration Date, any Indemnification Notices have been duly processed in accordance with Section 2.9(b)(i), then on the first business day following the Expiration Date, Purchaser and Seller shall distribute the balance of the Indemnification Account, together with the interest or income thereon, to Seller.

(iii) If one or more Indemnification Notices given on or prior to the Expiration Date remain unpaid as of the Expiration Date, then Purchaser and Seller shall retain in the Indemnification Account a sum (the "Pending Claims Amount") equal to the lesser of (a) the monies then remaining in the Indemnification Account or (b) one hundred twenty percent (120%) of the amount claimed in the pending Indemnification Notices, until the parties, or a third party decision maker, such as an arbitrator appointed pursuant to Section 9.4 of this

Agreement, have resolved Purchaser's individual claims for indemnification, as applicable, whereupon Purchaser and Seller shall promptly disburse the undisputed amount remaining in the Indemnification Account, together with interest or income thereon on a pro rata basis to Purchaser and/or Seller in accordance with the resolution of such dispute.

(iv) If, on the Expiration Date, the amount in the Indemnification Account exceeds the Pending Claims Amount, Purchaser and Seller shall disburse such excess amount to Seller within five (5) business days of the Expiration Date.

ARTICLE 3. REPRESENTATIONS AND WARRANTIES OF SELLER

As an inducement to Purchaser to enter into this Agreement and to consummate the transactions contemplated hereby, Seller represents and warrants to Purchaser that each and all of the following (as modified by the schedules to this Agreement (the "Schedules") and any Supplement delivered by Seller pursuant to Section 11.23 of this Agreement) are true and correct as of the date of this Agreement and will be true and correct as of the Date of Closing:

3.1 **Due Incorporation.** Valley is a corporation duly organized, validly existing and in good standing under the laws of the State of Minnesota. Valley has all requisite power and authority, corporate and otherwise, to own, operate and lease its properties and assets and to conduct the Businesses as they are now being conducted. Except as set forth as Schedule 3.1 hereto, Valley is duly qualified to transact business as a foreign corporation and is in good standing under the laws of every state or jurisdiction in which the nature of its activities or of its properties owned, leased or operated makes such qualification necessary and in which the failure to be so qualified could reasonably be expected to have a Material Adverse Effect on Valley.

3.2 **Capitalization.** The authorized capital stock of Valley consists solely of 6500 shares of common stock, no par value per share, and 350 shares of preferred stock, $1.00 par value, of which 3400 shares of common stock are issued and outstanding on the date hereof Seller is the lawful owner of all of the issued and outstanding shares of Valley, and has valid and marketable title thereto free and clear of any and all liens. Valley does not hold any shares of its capital stock in its treasury. None of the Stock has been issued in violation of the rights of any Person. Except as set forth on Schedule 3.2 hereto, as of the date hereof, (i) there are no Convertible Securities or Debt Securities outstanding; (ii) there are no Rights outstanding; and (iii) there are no shareholder agreements or other agreements, understandings or commitments relating to the rights of the Seller to vote or dispose of the Stock.

3.3 **Due Authorization.** The execution, delivery and performance of this Agreement, including the documents, instruments and agreements to be executed and/or delivered by the Seller pursuant to this Agreement, and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary action on the part of the Seller. This Agreement and the documents, instruments and agreements to be executed and/or delivered by the Seller pursuant to this Agreement have been or will be on or before the Date of Closing duly and validly authorized, executed and delivered by the Seller and the obligations of the Seller hereunder and thereunder are or will be upon such execution and

delivery valid, legally binding and enforceable against Seller in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws presently or hereafter in effect affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity), including, among others, limitations on the availability of equitable remedies.

3.4 **No Breach.** The Seller has full power and authority, corporate and otherwise, to sell, assign, transfer, convey and deliver to Purchaser the Stock to be sold hereunder and to otherwise perform its obligations under this Agreement and the documents, instruments and agreements to be executed and/or delivered by the Seller pursuant hereto. The execution and delivery of this Agreement, including the documents, instruments and agreements to be executed and/or delivered by the Seller pursuant to this Agreement, and the consummation of the transactions contemplated hereby and thereby will not: (i) violate any provision of the Articles of Incorporation or Bylaws (or comparable governing documents or instruments) of Valley; (ii) violate any Applicable Laws or Injunction applicable to Valley or Seller; (iii) except as provided in Schedule 3.4 hereto, require any filing with, permit from, authorization, consent or approval of, or the giving of any notice to, any Person; (iv) except as provided in Schedule 3.4 hereto, result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give another party any rights of termination, cancellation or acceleration) under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, franchise, permit (including, but not limited to, any permits, approvals or authorizations of the FCC, the MPUC, the SDPUC or any other Governmental Body), lease or other Contract to which Valley and/or Seller is a party, or by which Valley, Seller or any of their properties or assets may be bound; or (v) result in the creation or imposition of any Encumbrance on any of the properties or assets of Valley or Seller.

3.5 **Clear Title.** Except for the Permitted Encumbrances or as otherwise set forth on Schedule 3.5 hereto, on the Date of Closing, Valley will hold good, valid and marketable title to or a valid leasehold interest in all of its properties and assets free and clear of any and all Encumbrances of any kind, nature and description whatsoever.

3.6 **Condition of Assets.** Except as set forth in Schedule 3.6 hereto, all of Valley's properties and assets (i) have in all material respects been properly maintained, (ii) are in all material respects in good operation condition and repair, subject only to ordinary wear and tear, (iii) are usable and fit for their intended purpose, and (iv) are all the assets used to operate the Businesses as currently conducted.

3.7 **Litigation.** Except as described in Schedule 3.7 hereto, there is no pending Proceeding:

(a) that has been commenced by or served upon Valley, or of which Seller or Valley has Knowledge (other than any Proceeding which generally affects the business of all Persons conducting business similar to Valley and in which Valley is not a named defendant); or

(b) to Seller's Knowledge, that challenges or that will have, with substantial certainty, the effect of preventing, delaying, making illegal, or otherwise interfering with, the consummation of the transactions contemplated hereby.

To the Knowledge of the Seller, no such Proceeding has been Threatened. Except as provided in Schedule 3.7 hereto, to Seller's Knowledge, Valley is not a party to or subject to the provisions of any Injunction which could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Valley or impair the ability of the Seller to consummate the transactions contemplated hereby.

3.8 **Labor Matters.** During Seller's ownership term, Valley has never been a party to any collective bargaining agreement or other labor Contract. Because Valley has no employees, there has never been during Seller's ownership term, and there is not presently pending or existing, and to the Seller's Knowledge there is not Threatened, (i) any strike, slowdown, walkout, picketing, work stoppage, labor arbitration or other Proceeding in respect of the grievance of any Valley employee, (ii) any application or complaint filed by any Valley employee or union with the National Labor Relations Board, or any comparable Governmental Body, (iii) any organizational activity or other labor dispute against or affecting Valley, and no application for certification of a collective bargaining agreement is pending or, to the Seller's Knowledge, is Threatened. Except as set forth in Schedule 3.8 hereto, there is no allegation, charge, complaint or Proceeding pending or, to Seller's Knowledge, Threatened by any Person against Valley or any of its current or former officers, directors or employees relating to employment, equal employment opportunity, discrimination, harassment, wrongful discharge, unfair labor practices, immigration, wages, hours, benefits, collective bargaining, the payment of social security or similar taxes, occupational safety and health or plant closing.

3.9 **Taxes.** Seller has filed consolidated federal income taxes which included Valley and other entities (collectively, the "Company").

(a) **General Tax Matters.** Except as set forth in Schedule 3.9, with respect to the Company, (a) all Tax Returns and all similar filings required to be filed before the Date of Closing by the Company with respect to any Taxes that may be assessed against Valley have been timely filed with the appropriate Governmental Body in all jurisdictions in which such Tax Returns are required to be filed, all such Tax Returns correctly reflect the Liability of the Company for Taxes for the periods, properties or events covered thereby, and are correct and complete in all material respects; (b) all Taxes that may be assessed against Valley shown as payable on the Tax Returns filed by the Company prior to the Date of Closing, all Taxes that may be assessed against Valley due and payable by the Company prior to the Date of Closing (whether or not shown on any Tax Return) and all Taxes that may be assessed against Valley accruable with respect to events occurring prior to the Date of Closing, whether disputed or not, will either have been paid in full prior to the Date of Closing or an adequate accrual in accordance with GAAP will be provided with respect thereto on the Closing Balance Sheet; (c) no deficiency in respect of any Taxes that may be assessed against Valley which has been assessed against the Company remains unpaid and there are no unassessed Tax deficiencies or any audits or to Seller's Knowledge investigations pending or threatened against the Company with

respect to any Taxes that may be assessed against Valley; (d) there is in effect no extension for the filing of any Tax Return and the Company has not extended or waived the application of any statute of limitations of any jurisdiction regarding the assessment or collection of any Taxes that may be assessed against Valley; (e) no claim has ever been made by any tax authority in a jurisdiction in which the Company does not file Tax Returns that the Company is or may be subject to taxation by that jurisdiction with respect to Taxes that may be assessed against Valley; (f) there are no Encumbrances for Taxes upon any asset of Valley except for Encumbrances for current Taxes not yet due and payable; (g) to Seller's Knowledge no issues have been raised in any examination by any Tax authority with respect to the Company which, by application of similar principles, could with substantial certainty be expected to result in a proposed deficiency that may be assessed against Valley for any other period not so examined; (h) the Company is not a party to any Tax allocation or sharing agreement or otherwise that may be assessed against Valley under any obligation to indemnify any Person with respect to any Taxes, except for an unwritten arrangement among the entities which constitute the Company; (i) there are no requests for rulings in respect of any Taxes that may be assessed against Valley pending between the Company and any Tax authority; and 0) the Company has timely made all deposits required by law to be made with respect to sales and use Taxes and employees' withholding and other employment Taxes that may be assessed against Valley.

(b) **Disputed Claims and Tax Returns.** Schedule 3.9 lists all material disputes or claims concerning any Tax Liability of the Company that may be assessed against Valley claimed or raised by any authority as to which Seller has Knowledge. Schedule 3.9 lists all federal, state, local, and foreign income Tax Returns filed with respect to the Company for taxable periods ended on or after December 31, 1995; indicates whether those Tax Returns have been audited; indicates those Tax Returns that currently are the subject of audit; and includes a list of all federal income Tax Returns, examination reports, and statements of deficiencies assessed against or agreed to by the Company since January 1, 1993, each of which has been provided to Purchaser.

(c) **S Corporation Status.** None of the entities which constitute the Company have ever been a validly electing S corporation within the meaning of Sections 1361 and 1362 of the Code.

3.10 **Employee Benefits.** Valley does not currently and has never in the past maintained, sponsored or contributed to any Benefit Plan, and has no obligation to contribute to any Benefit Plan.

3.11 **[THIS SECTION INTENTIONALLY OMITTED.]**

3.12 **Financial Statements.** Seller has furnished true and correct copies of the financial statements identified in Schedule 3.12 hereto to Purchaser. All of said financial statements, including any notes thereto, are true and correct in all material respects and fairly present the financial position and condition of Valley as of their respective dates and the results of its operations for the periods covered in accordance with GAAP applied by Valley on a

consistent basis throughout the periods covered thereby and on a basis consistent with that of prior years and periods, provided, however that any interim financial statements listed on such Schedule may not include statement of cash flows, are subject to year-end adjustments and lack footnotes and other required presentation items. Except for Liabilities (i) reflected or reserved against in the balance sheet (the "Balance Sheet") of Seller as of December 31, 1997 (the "Balance Sheet Date") or in the notes thereto, (ii) incurred in the Ordinary Course of Business since the Balance Sheet Date (none of which resulted from, arose out of, is related to, or was caused by any breach of Contract, breach of warranty, tort, infringement or violation of Applicable Laws), (iii) arising under Contracts to which Valley is a party, and/or (iv) described on Schedule 3.12 hereto, the Company does not have any Liabilities which, individually or in the aggregate, would have a Material Adverse Effect on Valley. The reserves for doubtful accounts reflected in the Balance Sheet are adequate and have been calculated consistent with past practice.

3.13 Absence of Certain Developments. Except for the transactions contemplated by this Agreement, or as otherwise set forth on Schedule 3.13 hereto, since the Balance Sheet Date, Valley has conducted the Businesses only in the Ordinary Course of Business and has not:

(a) Sold, leased, assigned or otherwise transferred any material properties or assets, or disposed of or permitted to lapse any rights in Intellectual Property (as hereinafter defined) owned or used by Valley, other than in the Ordinary Course of Business, or organized any new business entity or acquired any equity securities, assets, properties, or business of any Person or any equity or ownership interest in any business or merged with or into or consolidated with any other Person;

(b) Suffered, sustained or incurred any material loss or waived or released any material right or claim, whether or not in the Ordinary Course of Business;

(c) Suffered, sustained or incurred any material damage, destruction or casualty loss to any material properties or assets, whether or not covered by insurance;

(d) Except for the early payment of its Debt Instruments, engaged in any transaction not in the Ordinary Course of Business;

(e) Made any capital expenditure (or series of related capital expenditures) exceeding $10,000;

(f) Subjected any of its properties or assets to any Encumbrance, whether or not in the Ordinary Course of Business;

(g) Issued any note, bond or other debt security, created, incurred or assumed any indebtedness for borrowed money or capitalized lease obligation or otherwise incurred any material Liability, except current Liabilities incurred in the Ordinary Course of Business;

(h) Other than the early payment of its Debt Instruments, and except as contemplated by this Agreement, discharged or satisfied any Encumbrance, or paid any material Liability, other than current Liabilities shown on Seller's balance sheet as of the Balance Sheet Date, and current Liabilities incurred in the Ordinary Course of Business since the Balance Sheet Date;

(i) Other than transactions not ordinarily or presently characterized as dividends or distributions, such as payment of professional fees, declared, set aside or paid a dividend or made any other distribution with respect to any class or series of capital stock of Valley, or directly or indirectly redeemed, purchased or otherwise acquired any shares of any class or series of Valley's capital stock;

(j) Increased compensation payable or to become payable by Valley to any of its officers or directors, other than in the Ordinary Course of Business;

(k) Except for the loan to Max and Susan Tite, loaned money to any Person or guaranteed any loan to or Liability of any Person, whether or not in the Ordinary Course of Business;

(l) Except as disclosed in the Schedules hereto, amended or terminated any of the Operating Contracts (as hereinafter defined), except in the Ordinary Course of Business;

(m) Except with respect to the accounting practice to expense equipment purchased that will be leased to customers, changed accounting methods or practices (including, without limitation, any change in depreciation, amortization or cost accounting policies or rates);

(n) Suffered, sustained or incurred any Material Adverse Change in the properties, assets, Liabilities, revenues, income, business, operations, results of operations or financial condition of Valley;

(o) Delayed or postponed the payment of accounts payable or other Liabilities outside of the Ordinary Course of Business;

(p) Entered into any employment or collective bargaining agreement, written or oral;

(q) Made any change or amendment in its articles of incorporation, bylaws, or other governing instruments;

(r) Issued or sold any securities; acquired, directly or indirectly, by redemption or otherwise, any securities; reclassified, split-up or otherwise changed any such equity security; or granted or entered into any options, warrants, calls or commitments of any kind with respect thereto; and/or

(s) Entered into any Contract to do any of the foregoing.

3.14 **Intellectual Property.** Schedule 3.14 hereto contains a list and description of all material Intellectual Property owned by Valley or used by Valley in the operation of the Businesses. Except as set forth in Schedule 3.14, Seller has no Knowledge of any asserted claim to the effect that the operation of the Businesses or the possession or use in the Businesses of any of the Intellectual Property listed and described on Schedule 3.14 hereto, infringes the Intellectual Property rights of any other Person. Except as set forth in Schedule 3.14, Seller has no Knowledge of any claim that any of the Intellectual Property listed and described on Schedule 3.14 is invalid; and, except as provided in Schedule 3.14 hereto, Valley is not obligated under any Contract or otherwise to pay royalties, fees or other payments with respect to any of the Intellectual Property listed and described on Schedule 3.14 hereto. Except as set forth in Schedule 3.14, the consummation of the transactions contemplated by this Agreement will not adversely affect the use by Valley of any of the Intellectual Property listed on Schedule 3.14 hereto.

3.15 **Compliance with Laws.** Valley has been operated and is in compliance in all material respects with the requirements of all Applicable Laws to which Valley is subject. Valley has not received any notice of, and Seller has no Knowledge of, any violation of a material nature of any Applicable Laws respecting Valley.

3.16 **Operating Contracts.** Except as shown in Schedule 3.16 and except with respect to Contracts that have been fully performed as of the date hereof and have no further force or effect, Valley is not a party to any Contract. All of the Contracts listed on Schedule 3.16 hereto are referred to in this Agreement as the "Operating Contracts". All of the Operating Contracts were made in the Ordinary Course of business, and, to Seller's Knowledge, are valid, binding and currently in full force and effect as to Valley. Valley is not in default in any material respect under any of the Operating Contracts, and, to Seller's Knowledge, no event has occurred which, through the passage of time or the giving of notice, or both, would constitute a default by Valley or give rise to a right of termination or cancellation by another party under any of the Operating Contracts, or cause the acceleration of any Liability of Valley, or result in the creation of any Encumbrance upon any of Valley's properties or assets. To the Seller's Knowledge, no other party is in default under any of the Operating Contracts. Except as described on Schedule 3.16 hereto, none of the Operating Contracts have been canceled, terminated, amended or modified. Except as provided in Schedule 3.4 hereto, the consummation of the transactions contemplated hereby will not require the consent or approval of any Person under any of the Operating Contracts.

3.17 **Real Estate.** Valley is not a lessee under any oral or written real property leases. Schedule 3.17 contains a list of all written easements under which Valley is a benefited party. With respect to each parcel of real estate owned by Valley (the "Real Estate"):

(a) Schedule 3.17 contains a complete and accurate legal description of each parcel of Real Estate;

(b) Except as set forth on Schedule 3.17 hereto, to the Knowledge of Seller, there are no public improvements affecting any parcel of Real Estate, including, but not limited to, water, sewer, sidewalk, street, alley, curbing, landscaping or related improvements, which have been commenced and/or completed and for which an assessment has not been levied or, to Seller's Knowledge, which may be levied after the date of this Agreement;

(c) Except as set forth in Schedule 3.17 hereto, there are no deferred property Taxes or assessments with respect to the Real Estate which may or will become due and payable as a result of the consummation of the transaction contemplated hereby;

(d) Valley is the sole owner in fee simple title of each parcel of Real Estate and each such parcel is free and clear of any and all Encumbrances, except (i) those Encumbrances set forth in Schedule 3.5 or Schedule 3.17 hereto, (ii) municipal zoning ordinances, easements for public utilities and recorded building and use restrictions and covenants, (iii) general real estate Taxes and installments of special assessments payable in the year of Closing, and (iv) minor survey exceptions, encumbrances, licenses, easements or reservations of, or rights of others for, oil, gas minerals, ores or metals, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions on the use of real property, minor defects in title or other similar charges or encumbrances not interfering in any material respect with the Ordinary Course of Business of Valley or with the use or ownership of the Real Estate (collectively the "Permitted Encumbrances"). To Seller's Knowledge, the Permitted Encumbrances and those encumbrances set forth in Schedules 3.5 or 3.17 hereto do not individually or in the aggregate materially impair or prohibit Valley's current use of the Real Estate;

(e) Except as set forth in Schedule 3.17 hereon, there are no condemnation Proceedings pending or, to the Seller's Knowledge, Threatened with respect to all or any part of any parcel of Real Estate;

(f) To the Seller's Knowledge, except for the Permitted Encumbrances and those encumbrances set forth in Schedules 3.5 or 3.17 hereto , there are no private restrictions, covenants, or reservations which materially and adversely affect the use or occupancy of all or any part of any parcel of Real Estate;

(g) To the Seller's Knowledge, there are no Applicable Laws requiring repair, alteration or correction of any existing condition on any parcel of Real Estate and, to the Seller's Knowledge, there are no conditions that could give rise to the same;

(h) To the Seller's Knowledge, except as set forth in Schedule 3.5 or Schedule 3.17 hereto, and the disclosed crack in the exterior wall of the Browns Valley telephone office building, (A) there are no material structural, mechanical or other defects of material significance in any of the buildings, improvements, fixtures and equipment, including the roof, heating, ventilating, air conditioning, electrical, plumbing and sanitary disposal systems, located on any parcel of Real Estate, and (B) all such buildings,

improvements, fixtures and equipment, including the roof, heating, ventilating, air conditioning, electrical, plumbing and sanitary disposal systems will be until the Date of Closing, maintained in good repair, working order and condition, ordinary wear and tear excepted;

(i) Except as set forth on Schedule 3.17 hereto, the improvements on each parcel of Real Estate and Valley's use thereof comply in all material respects with any and all building, zoning, subdivision, traffic, parking, land use, occupancy, health and other Applicable Laws pertaining to the Real Estate or to the development, construction, management, use and operations of the improvements thereon;

(j) Except as set forth on Schedule 3.17 hereto, to the Knowledge of Seller, the improvements located on each parcel of Real Estate, including fences, driveways and other structures occupied, used or claimed by Valley, are wholly within the boundary lines of such parcels of Real Estate and such improvements and Valley's present uses thereof do not in any material respect infringe upon the rights of any other Person;

(k) Except as set forth in Schedule 3.17 hereto, to the Knowledge of Seller, no buildings, fences, driveways or other structures of any adjoining owner encroach upon any part of any parcel of Real Estate or any of the Easements; and

(l) Except as set forth in Schedule 3.17 hereto, to the Knowledge of Seller, Valley has all operating permits necessary for the operation of the Businesses, and all such permits are current, except where the failure to have any such current operating permit in good order would not have a Material Adverse Effect on Valley. To the Knowledge of Seller, except as set forth in Schedule 3.17, Valley has all easements or access through public utility easements; on to private property, construction permits, highway crossing licenses and permits (and other similar licenses and permits) and right-of-way-licenses reasonably necessary to conduct the Businesses, except where the failure to have any such easement on to private property, construction permits, highway crossing licenses and permits (and other similar licenses and permits), and right-of-way licenses would not have a Material Adverse Effect.

Seller and Purchaser recognize and agree that title commitments and surveys provided in accordance with Section 7.8 of this Agreement may contain additional information regarding the Real Estate of which the Seller does not have Knowledge as of the date of this Agreement, and that such information will be included as appropriate in a Supplement to Schedule 3.17. Notwithstanding any contrary provision contained in this Agreement, the representations and warranties contained in this Section 3.17 which relate to title to and encumbrances on Real Estate shall terminate and expire on the Date of Closing and shall not survive beyond such date. See Section 5.14.

3.18 **Accounts Receivable.** Valley's accounts receivable and other rights to the payment of money represent, and on the Date of Closing will represent, valid obligations arising from sales actually made or services actually performed in the Ordinary Course of Business.

3.19 **Books and Records; Bank Accounts.** Valley's books of account and other financial and corporate records have been made available to Purchaser and its representatives (or will be so made available prior to the Date of Closing). Such books of account and records are current, complete, true and correct in all material respects. All such books and records are consistent with the financial statements listed on Schedule 3.12 hereto. Attached hereto as part of Schedule 3.12 is a list of all of Valley's bank accounts, security accounts and other similar accounts, and the names of all Persons authorized to draw thereon or have access thereto, as well as the identification of all safety deposit boxes, and the persons authorized to have access to those boxes.

3.20 **Employees.** During Seller's ownership term, Valley has never had any employees, or to Seller's Knowledge, and except as disclosed in Schedule 3.20 hereto, any leased employees, as defined in Section 414(n) of the Code.

3.21 **Licenses and Permits.** Except as set forth in Schedule 3.21, Valley has obtained all material licenses, certificates, franchises and permits of any Governmental Body having jurisdiction over Valley or any of its properties or assets to operate and carry on the Businesses as they are now being conducted. All such material licenses, certificates, franchises and permits (except for construction permits, highway crossing licenses and permits and fight of way licenses) are described on Schedule 3.21 hereto and are in full force and effect.

3.22 **Other Material Contracts and Obligations.** Except for the Operating Contracts and the Contracts disclosed on Schedule 3.22 hereto, Valley is not a party to or bound by any:

(a) Dealer, distributorship or sales agency agreements, excluding purchase orders with respect to the purchase or sale of products or services in the Ordinary Course of Business;

(b) Advertising Contracts;

(c) Contract for capital expenditures having a remaining balance in excess of $10,000;

(d) Leases with respect to any property, real or personal, whether as lessor or lessee, except for any lease having a term of one year or less or aggregate rents payable over its life of $10,000 or less;

(e) Contract containing covenants by Valley not to compete in any lines of business or with any Person;

(f) Franchise or license agreements;

(g) Except as disclosed in Schedule 3.13, loan or credit agreements, promissory notes or other evidences of indebtedness, including all agreements or commitments for future loans, extensions of credit or financing, excluding credit extended by Valley to its customers;

(h) Guarantees;

(i) Contract or purchase order for the purchase of any services, raw materials, supplies or equipment involving payments of more than $5,000 per annum or an aggregate of more than $10,000, excluding purchase orders for the purchase of products or services entered into in the Ordinary Course of Business; or

(j) Contract for the sale of any properties, assets or services involving a value estimated at more than $10,000, excluding purchase orders for the sale of products or services in the Ordinary Course of Business.

3.23 **Subsidiaries.** During Seller's ownership term, Valley has never had any subsidiaries. Except as set forth on Schedule 3.23 hereto, Valley does not own any shares of stock or other securities or equity interests, directly or indirectly, in any other Person. Except as set forth on Schedule 3.23 hereto, Valley is not subject to any obligation or requirement to provide funds to, or invest in, any such Person.

3.24 **Insurance.** Seller has maintained and will continue to maintain until the Date of Closing the insurance described in Schedule 3.24, which insurance covers Valley's tangible real and personal property and assets, whether owned or leased, against loss or damage by fire or other casualty. All such insurance is in full force on the date of this Agreement and is carried with insurers licensed in the states affected by such policies. Seller has promptly and adequately notified Seller's insurance carriers of any and all claims known to the Seller with respect to the operations, products or services of Valley for which Valley is insured. Seller has not been refused any insurance coverage by any insurance carrier to which it has applied for insurance during the past three (3) years.

3.25 **Brokers.** Except for the engagement of Dain Bosworth by Seller, neither Valley or the Seller has employed or engaged any broker, finder, agent, banker or third party, nor have they otherwise dealt with anyone purporting to act in the capacity of a finder or broker in connection with the transactions contemplated hereby. No commissions, finder's fees or like charges be incurred by Valley or the Seller in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

3.26 **Relationship with Related Persons.** Except as set forth in Schedule 3.26 hereto, the shareholders, directors and officers of Valley and its Related Persons (as hereinafter defined) do not have any interest in any of the properties or assets of Valley and, to the Seller's Knowledge, do not own, of record or as a beneficial owner, an equity interest or any other financial or profit interest in any Person that (i) has had business dealings or a material financial interest in any transaction with Valley or, (ii) has engaged or is engaged in competition with Valley with respect to any line of products or services of Valley in any market presently served

by Valley (a "Competing Business") (except for less than three percent (3%) of the outstanding capital stock of any Competing Business that is publicly traded on any recognized exchange or in the over-the-counter market). To the Knowledge of Seller and except as set forth on Schedule 3.26 hereto, no shareholder, director or officer of Valley and none of their Related Persons is a party to any Contract with, or has any present claim or right against, Valley, other than the rights officers and directors of Valley have with respect to indemnification under state law. All money owed by Valley to its shareholders, directors or officers, or their Related Persons, (other than for salary) are for bona fide debts and are set forth in Schedule 3.26 hereto.

3.27 **Hazardous Materials.** Except as set forth in Schedule 3.27 hereto, to the Knowledge of Seller, Valley has never generated, transported, stored, handled, disposed of or contracted for the disposal of any Hazardous Materials. Except as set forth in Schedule 3.27 hereto, to the Knowledge of Seller, no employee of Valley has, in the course and scope of employment with Valley, been exposed to any Hazardous Materials in such a manner as to be harmed thereby (whether such harm is now known to exist or will be discovered in the future). Except as set forth on Schedule 3.27 hereto, Valley is not listed as a potentially responsible party under CERCLA or any comparable or similar U.S. federal or state statute, Valley has not received written or oral notice of such a listing and the Seller has no Knowledge of any facts or circumstances which could give rise to such a listing.

3.28 **Other Environmental Matters.**

(a) Except as set forth on Schedule 3.28 hereto, the Real Estate has been operated by Valley and is in compliance in all material respects with all Applicable Laws, including Environmental Laws and all Applicable Laws relating to underground and/or above ground petroleum storage tanks. To the Knowledge of the Seller, except as set forth on Schedule 3.28 hereto, Valley otherwise complies in all material respects with all Environmental Laws. To the Knowledge of the Seller, except as set forth on Schedule 3.28 hereto, Valley has obtained or has taken appropriate steps, as required by Environmental Laws and Applicable Laws, to obtain all environmental, health and safety permits, consents, approvals, licenses and other authorizations necessary for the ownership and operation of the Businesses, and to the Knowledge of Seller, all of the permits and other such authorizations are in good standing, and Valley is in compliance in all material respects with such permits and other such authorizations. Except as described in Schedule 3.28 hereto, to the Knowledge of Seller, the Real Estate is free of any and all Hazardous Materials. The Real Estate is not subject to any "Super-Fund" type Encumbrances by any Person arising from the release or threatened release of any Hazardous Materials in, on, about or under the Real Estate.

(b) To the Knowledge of Seller, all of the third parties with which Valley has arranged, engaged or contracted to accept, treat, transport, store, dispose or remove any pollutant generated or present at the Real Estate, or which otherwise participate or have participated in activities or conduct related to the Real Estate or the Businesses, were properly permitted at the relevant time to perform the foregoing activities or conduct.

(c) Except as described on Schedule 3.28 hereto, there are not currently and to the Knowledge of Seller never have been any wells or underground and/or above ground storage tanks (whether or not currently in use) on any parcel of Real Estate and, to the extent such wells or tanks are described in Schedule 3.28, all such wells and tanks are, to the Knowledge of Seller, in sound condition and are not leaking.

(d) Except as set forth on Schedule 3.28 hereto, no part of any parcel of Real Estate is now being used, nor, to the Knowledge of Seller, has any parcel of Real Estate ever been used, as a landfill, dump or other disposal, storage, transfer, treating or handling area for any Hazardous Materials, or as a gasoline service station or a facility for selling, dispensing, storing, transferring, treating or handling Hazardous Materials.

(e) To the Knowledge of the Seller, and except as set forth on Schedule 3.28 hereto, Valley is not subject to any investigation, nor has Valley received any written notification within the past two years of any judicial or administrative proceeding, notice, order, judgment, decree or settlement, alleging or addressing (i) any violation of Environmental Laws or (ii) any claims or Liabilities and costs arising from the release or threatened release of any Hazardous Materials. To the Knowledge of Seller, there has been no release of any Hazardous Materials in a reportable quantity under Environmental Laws at, to or from the Real Estate.

(f) Except as set forth in Schedule 3.28 hereto, to the Knowledge of Seller, there is not constructed, placed, deposited, stored, disposed or located on the Real Estate any asbestos in any form.

(g) Except as set forth in Schedule 3.28 hereto, to the Knowledge of Seller, there is not constructed, placed, deposited, stored, disposed nor located on the Real Estate any polychlorinated biphenyls ("PCBs") or transformers, capacitors, ballasts, or other equipment which contain dielectric fluid containing PCBs.

(h) Except as set forth in Schedule 3.28 hereto, to the Knowledge of Seller, there is not constructed, placed, deposited, stored, disposed nor located on the Real Estate any insulating material containing urea formaldehyde.

3.29 **Debt Instruments.** Schedule 3.29 is a true, correct and complete list showing the names of the parties and outstanding indebtedness as of the respective dates set forth on Schedule 3.29 under all mortgages, indentures, notes, guarantees and other obligations for or relating to borrowed money, purchase money debt (including conditional sales contract and capital leases) or covenants not to compete (the "Debt Instruments") for which Valley is primarily or secondarily obligated. The Seller have previously delivered to Purchaser true, complete and correct copies of each of the Debt Instruments. Except as described in Schedule 3.29, Valley has performed all of the material obligations required to be performed by it, and is not in material default under any of the provisions of any of the Debt Instruments, and there has not occurred any event which, (with or without notice, lapse of time or the happening or occurrence of any other event) would constitute such a default.

3.30 **Customers and Suppliers.** As of April 30, 1998, Valley served, in the aggregate, approximately 815 telephone access lines. To the Knowledge of Seller, and except in the Ordinary Course of Business, no customer, subscriber or a group of customers or subscribers of Valley has notified Valley on or after April 30, 1998, that the customer intends to terminate, cancel, limit or modify the customer's business relationship with Valley, except such terminations, cancellations, limitations or modifications as occur in the Ordinary Course of Business of Valley. No vendor, supplier, dealer, representative or consultant of Valley which is material to Valley's business operations has notified Valley after April 30, 1998, that it intends to terminate, cancel, limit or modify its business relationship with Valley in any material respect.

ARTICLE 4. REPRESENTATIONS AND WARRANTIES OF PURCHASER

As an inducement for Seller to enter into this Agreement and consummate the transactions contemplated hereby, Purchaser represents and warrants to Seller that each and all of the following (as modified by any Supplement delivered by Purchaser pursuant to Section 11.23 of this Agreement) are true and correct as of the date of this Agreement and will be true and correct as of the Date of Closing:

4.1 **Due Organization.** Purchaser is a cooperative duly organized, validly existing and in good standing under the laws of the State of Minnesota. Purchaser has all requisite power and authority, corporate and otherwise, to own, operate and lease its properties and assets and to conduct its business as it is now being conducted. Purchaser is duly qualified to transact business as a foreign corporation and is in good standing under the laws of every state or jurisdiction in which the nature of its activities or of its properties owned, leased or operated makes such qualification necessary and in which the failure to be so qualified could reasonably be expected to have a Material Adverse Effect on the Purchaser.

4.2 **Due Authorization.** The execution, delivery and performance of this Agreement, including the documents, instruments and agreements to be executed and/or delivered by Purchaser pursuant to this Agreement, and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action on the part of Purchaser. This Agreement and the documents, instruments and agreements to be executed and/or delivered by Purchaser pursuant to this Agreement have been, or be on or before the Date of Closing, duly and validly authorized, executed and delivered by Purchaser and the obligations of Purchaser hereunder and thereunder are or will upon such execution and delivery be valid, legally binding and enforceable against Purchaser in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws presently or hereafter in effect affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity), including, among others, limitations on the availability of equitable remedies.

4.3 **No Breach.** Purchaser has full power and authority, corporate and otherwise, to purchase the Stock being purchased hereunder and to otherwise perform its obligations under this Agreement and the documents, instruments and agreements to be executed and/or delivered by the Purchaser pursuant hereto. The execution and delivery of this Agreement, including the documents, instruments and agreements to be executed and/or delivered by the Purchaser pursuant to this Agreement, and the consummation of the transactions contemplated hereby and thereby will not: (i) violate any provision of the Articles of Incorporation or Bylaws (or comparable governing documents or instruments) of Purchaser; (ii) violate any Applicable Laws or Injunction applicable to the Purchaser; (iii) require any filing with, permit from, authorization, consent or approval of, or the giving of any notice to, any Person; (iv) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give another party any rights of termination, cancellation or acceleration) under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, franchise, permit (including, but not limited to, any permits, appeals or authorizations of the FCC, the MPUC, the SDPUC or any other Governmental Body), lease or other Contract to which Purchaser is a party, or by which it or any of its assets or properties.

4.4 **Brokers.** Purchaser has not employed or engaged any broker, finder, agent, investment banker or third party nor has it otherwise dealt with anyone purporting to act in the capacity of a finder or broker, in connection with the transactions contemplated hereby. No commissions, finder's fees or like charges have been or will be incurred in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

4.5 **Investment Representations.** The Purchaser understands that the Stock has not been registered under the Securities Act of 1993, as amended, or under the securities laws of any jurisdiction, by reason of reliance upon certain exemptions.

ARTICLE 5. CONDUCT OF BUSINESS; ADDITIONAL AGREEMENTS

5.1 **Conduct of Valley.** During the period from the date of this Agreement and continuing until the earlier of the Date of Closing or the termination of this Agreement in accordance with Article 7 hereof, Seller agrees with respect to Valley that (except as such results from the operation of Valley in the Ordinary Course of Business or as expressly contemplated or permitted by this Agreement, or to the extent that Purchaser shall otherwise consent in writing):

(a) Ordinary Course. Valley shall carry on its business in the usual, regular and ordinary course in substantially the same manner as heretofore conducted and use all commercially reasonable efforts to preserve intact its present business organization, and preserve its relationships in the Ordinary Course of Business with customers, suppliers and others having business dealings with it to the end that goodwill and ongoing business dealings shall not be impaired in any material respect at the Date of Closing.

(b) Dividends, Changes in Stock. Valley shall not: (a) declare or pay any dividends or make other distributions in respect of any of its capital stock, (b) split, combine or reclassify any of its capital stock or issue or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock, or (c) repurchase or otherwise acquire any shares of its capital stock, except as contemplated by this Agreement.

(c) No Issuance of Securities. Valley shall not issue, deliver or sell, or authorize or propose to issue, deliver or sell, any shares of its capital stock of any class, or any securities convertible into, or any Convertible Securities.

(d) Governing Documents. Valley shall not amend or propose to amend its Articles of Incorporation or Bylaws.

(e) Acquisition Proposals. The Seller will not nor will it authorize Valley to authorize or permit any of the officers, directors or employees of Valley or Seller, or any investment banker, financial advisor, attorney, accountant or other representative retained by the Seller, or Valley to (a) solicit or otherwise encourage any inquiries or the making of any proposal which constitutes, or may reasonably be expected to lead to, any Acquisition Proposal, or agree to or endorse any Acquisition Proposal, or (b) engage in negotiations concerning, provide any nonpublic information to, or have any discussions with, any person relating to any Acquisition Proposal.

(f) No Acquisitions. Valley shall not acquire, or agree to acquire by merging or consolidating with, or by purchasing a substantial equity interest in or a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof, or otherwise acquire or agree to acquire any assets, other than in the Ordinary Course of Business. Notwithstanding the preceding sentence, Valley may, with the written approval of Purchaser, but shall not be obligated to, make any or all future capital contributions required to maintain its present percentage ownership of any or all of the non-publicly traded Valley investments listed on Schedule 3.23, and exercise any right it may have in the future to increase its percentage interest in any of said Valley investments pursuant to any provision dealing with the transfer of equity in such entity that Valley has the opportunity to exercise. Notwithstanding the foregoing statements, Valley may make all capital expenditures set forth on Schedule 5.1(f) attached hereto.

(g) No Dispositions. Other than as provided herein or dispositions in the Ordinary Course of Business consistent with prior practice which are not material, individually or in the aggregate, to Valley, taken as a whole, Valley shall not sell, lease, encumber or otherwise dispose of, or agree to sell, lease (whether such lease is an operating or capital lease), encumber or otherwise dispose of, any Valley assets.

(h) Indebtedness, Leases. Valley shall not incur (which shall not be deemed to include entering into credit agreements, lines of credit or similar arrangements until borrowings are made under such arrangements) any indebtedness for borrowed money or

guarantee any such indebtedness or issue or sell any debt securities or warrants or rights to acquire any debt securities, or guarantee any debt securities of others or enter into any lease (whether such lease is an operating or capital lease).

(i) Compensation Arrangements. Valley shall not:

(A) grant any increases in the compensation, if any, of any of Valley's directors, officers or shareholders;

(B) lease or hire any employees or pay any Management Fees that would reflect increased costs for employees of Seller or for any costs not allowed by this Agreement;

(C) enter into, or materially amend, any severance or termination agreement with any Valley director or officer; or

(D) become obligated under any new Benefit Plan.

5.2 **Access to Information.** Upon reasonable notice, Valley shall afford to the officers, employees, accountants, counsel and other representatives of Purchaser, access during normal business hours during the period prior to the Date of Closing, to all its properties, books, contracts, commitments and records and, during such period, Valley shall furnish promptly to Purchaser all information in its possession concerning its business, properties and personnel as Purchaser may reasonably request for the purpose of Purchaser further familiarizing themselves with the operations of Valley and confirming the representations and warranties contained herein. Purchaser agrees that it will not use and will cause their representatives not to use, any information obtained pursuant to this Section 5.2 for any purpose unrelated to the consummation of the transactions contemplated by this Agreement. The provisions of the immediately preceding sentence of this Section 5.2 shall survive the termination of this Agreement.

5.3 **Legal Conditions to Purchase.** Seller and Purchaser will take all commercially reasonable actions necessary to comply promptly with all legal requirements with respect to the purchase (including in connection with all necessary FCC and PUC approvals and in connection with approvals of or filings with any other Governmental Entity) and will promptly cooperate with and furnish information to each other in connection with any such requirements imposed upon any of them or any of their affiliates in connection with the purchase pursuant to this Agreement.

5.4 **Resignations.** At the Closing, all of the officers and directors of Valley shall resign.

5.5 **Fees and Expenses.** All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expense. Seller shall reimburse Valley for any costs and fees advanced on Seller's behalf by Valley relating to the negotiation, and preparation of this Agreement, and the consummation of the transactions contemplated hereby as agreed to by the parties in writing prior to the Closing.

5.6 **Additional Agreements; Reasonable Efforts.** Subject to the terms and conditions of this Agreement, each of the parties hereto agrees to use all reasonable efforts to take or cause to be taken, all action and to cause to be done, all things reasonably necessary under Applicable Laws to satisfy the conditions set forth in Article 6 and to consummate the transactions contemplated by this Agreement, including cooperating fully with each other party, the provision of information and making of all necessary filings in connection therewith.

5.7 **No Action.** Except as contemplated by this Agreement, Seller will not permit Valley and no party hereto will, nor will any such party permit any of its subsidiaries or affiliates to, take or agree to commit to take any action that is reasonably likely to make any of such party's representations or warranties hereunder inaccurate in any material respect as of the Date of Closing.

5.8 **Maintenance of Records.** Purchaser shall keep and maintain all books, contracts, commitments, records and documents (including Tax Returns and financial statements) of Valley relating to the conduct of the business of Valley prior to the Date of Closing and shall make such books, records, and documents available to the Seller or its designee who has an obligation of indemnification arising under this Agreement (including such Person's officers, employees, accountants, counsel and other representatives) upon reasonable request for a period of five years following the Date of Closing. Upon reasonable notice, Purchaser shall cause Seller or such designee to have access during normal business hours to such books, contracts, commitments and records.

5.9 **Option to Purchase MEANS Stock.** At Closing, Purchaser shall cause Valley to grant George M. Revering an option to purchase all of Valley's stock in Minnesota Equal Access Network Services, Inc., a Minnesota corporation ("MEANS") pursuant to a mutually acceptable option agreement. Said option agreement shall provide that (i) the option shall remain open for five years from the Closing, (ii) the option price shall be

, paid in cash, and (iii) the option may be exercised only If MEANS takes action permitting its stock to be held by an individual or entity other than a local exchange telephone company or its affiliates and the shareholders of MEANS approve the transfer pursuant to the option if such approval is required.

5.10 **Tite Note.** The loan to Max and Susan Tite disclosed on the Schedules shall be paid in full at or prior to Closing. If said loan is not paid in full, the principal balance of said loan which is unpaid at the time of Closing shall be deducted from the Purchase Price in which event Valley's interest in said loan, and in the unpaid principal and accrued interest thereon, shall be immediately assigned to Seller.

5.11 **Termination of Management Agreement.** On or prior to the Closing, Valley shall pay the Seller any unpaid portion of the management fee customarily paid by Valley to Seller (the "Management Fee") for the period from January 1, 1998 through the Closing. The Management Fee paid for calendar year 1998 (and calendar year 1999, if the Closing occurs in 1999) shall not exceed , prorated on an annualized basis to the Date of Closing. The Management Fee for all periods prior to January 1, 1998 has been paid in full. All services

provided by the Seller to Valley shall cease on the Date of Closing, except as continued by written agreement entered into between Valley and Seller, and approved by Purchaser.

5.12 [THIS SECTION INTENTIONALLY OMITTED.]

5.13 **Non-Competition Agreement.** Seller agrees that, during the period beginning on the Date of Closing and continuing for five (5) years thereafter, it will not engage in the provision of wireline local exchange telephone services in the Browns Valley, Minnesota and West Browns Valley, South Dakota local exchange areas. Purchaser acknowledges that Seller provides telecommunications services through its wireless telephone operations sometimes known as Glacial Lakes Cellular 2000 and will continue to do so.

5.14 **Title Review.** As of the Date of Closing, the Purchaser shall have, and in proceeding to close has, reviewed and approved, except for its reasonable objections thereto described in Schedule 5.14 hereof, which shall be prepared at or prior to the Closing and after the execution date of this Agreement, the preliminary title commitments and surveys with respect to the condition and status of the Real Estate. Seller shall cure and/or indemnify to the reasonable satisfaction of Purchaser, in accordance with the provisions of Section 7.8 of this Agreement, such reasonable objections to title which Purchaser has designated for such cure under Section 7.8 of this Agreement. Subject to such cure and/or indemnification, closing of the transaction contemplated by this Agreement shall be deemed Purchaser's acceptance of the conditions to title of the Real Estate.

ARTICLE 6. MUTUAL COVENANTS AND CONDITIONS PRECEDENT TO OBLIGATIONS

6.1 **Proceedings.** The obligations of Purchaser and Seller under this Agreement are subject to there being no (i) Proceedings which have been brought, asserted, commenced or Threatened against the Purchaser, Valley and/or the Seller by any Person involving or affecting in any way the Purchaser's, Valley's or Seller's consummation of the transactions contemplated hereby, or (ii) Applicable Laws restraining or enjoining or which may reasonably be expected to nullify or render ineffective this Agreement or the consummation of the transactions contemplated hereby or which otherwise could reasonably be expected to have a Material Adverse Effect on Valley.

6.2 **Consents and Approvals.** Purchaser and Seller shall have received evidence, in form and substance reasonably satisfactory to counsel for Purchaser and Seller, that all material consents, waivers, releases, authorizations, approvals, licenses, certificates, permits and franchises of all Persons and entities (including each and every Governmental Authority) as may be necessary to consummate the transactions contemplated by this Agreement and for the Purchaser to carry on and continue the operations of Valley as they are now conducted have been obtained. All consents of the FCC or PUC shall be by Final Order (as hereinafter defined); provided, however, that if Purchaser and Seller waive the condition of FCC consent by Final Order, the parties shall consider FCC consent without Final Order sufficient to proceed to Closing according to the other terms of this Agreement. "Final Order" means an action or

decision of the FCC or PUC as to which (i) no request for a stay is pending, no stay is in effect, and any deadline for filing such request that may be designated by statute or regulation has passed, (ii) no petition for rehearing or reconsideration or application for review is pending and the time for the filing of such petition or application has passed, (iii) the FCC or PUC does not have the action or decision under reconsideration on its own motion and the time within which it may effect such reconsideration has passed and (iv) no judicial appeal is pending or in effect and any deadline for filing any such appeal that may be designated by statute or rule has passed.

ARTICLE 7. CONDITIONS PRECEDENT TO PURCHASER'S OBLIGATIONS

Unless waived by Purchaser in writing, each and every obligation of Purchaser to be performed at the Closing shall be subject to the satisfaction at or prior thereto of each and all of the following conditions precedent:

7.1 **Accuracy of Representations and Warranties.** The representations and warranties made by Seller in this Agreement, including the documents, instruments and agreements to be executed and/or delivered by Seller pursuant to this Agreement, shall be true and correct in all material respects at and as of the Closing with the same force and effect as though such representations and warranties had been made or given at and as of the Closing.

7.2 **Compliance with Covenants and Agreements.** Seller shall have performed and complied with all of its covenants, agreements and obligations under this Agreement which are to be performed or complied with by it at or prior to the Closing, including the execution and/or delivery of the documents, instruments and agreements specified in Section 2.4 hereof or in such documents, instruments and agreements, all of which shall be reasonably satisfactory in form and substance to counsel for Purchaser.

7.3 **No Material Adverse Change.** As of the Date of Closing, nothing shall have occurred which, in the reasonable judgment of Purchaser could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Valley.

7.4 **Approval by Counsel.** All actions, proceedings, instruments and documents required of Seller to carry out the transactions contemplated by this Agreement or incidental thereto and all other related legal matters shall have been reasonably satisfactory to and approved by counsel for Purchaser, and such counsel shall have been furnished with such certified copies of actions and proceedings and such other instruments and documents as they shall have reasonably requested.

7.5 **Legal Opinion.** The Purchaser shall have received one or more opinions from the counsel for the Seller and Valley, dated as of the Date of Closing, in form and substance satisfactory to the Purchaser in Purchaser's reasonable commercial discretion.

7.6 **Resignation of Directors and Officers.** All directors and officers of Valley whose resignations have been requested by the Purchaser shall have been submitted or shall have been removed effective as of the Date of Closing.

7.7 **Corporate Action.** Purchaser shall have received (a) a certificate of the Secretary of Valley as to the incumbency and signatures of the officers and directors, and (b) a good standing certificate of existence from the State of Minnesota for Valley.

7.8 **Title Matters; Surveys.**

(a) As soon as practicable following the execution hereof, Seller shall provide to Purchaser A.L.T.A. Form 1992 title insurance commitments from a title insurance company reasonably acceptable to Purchaser for each parcel of Real Estate agreeing to insure title of owner or tenant, as the case may be, in amounts reasonably satisfactory to Purchaser for each such parcel with standard exceptions waived, together with copies of all documents mentioned in said title insurance commitments. In each case, the amounts purchased shall be increased as necessary to comply with co-insurance provisions of the policies or to qualify for waivers or "agreed-amount" endorsements. Seller also agree to procure for Purchaser Owner's or Leasehold Owner's policies of title insurance, as applicable, on A.L.T.A. Form 1992 for each parcel of Real Estate. Seller shall bear the cost of obtaining the title insurance commitments and Purchaser shall pay the cost of the title insurance policies. The policies shall include waivers of the co-insurance clause reasonably acceptable to Purchaser. Purchaser shall be allowed twenty (20) business days after receipt of complete commitments (including copies of documents mentioned therein and surveys relating thereto, if applicable) for the examination thereof and the making and delivering of any written objections to the marketability of title. Any such written objections shall be listed on Schedule 5.14 prepared by Purchaser at or prior to Closing. If no title objections are made within such period, such objections shall be deemed to have been waived by Purchaser. If any written objections to the marketability of title to any parcel of Real Estate are made by Purchaser within said twenty (20) day period, Seller shall, subject to Section 8.6 of this Agreement, use commercially reasonable efforts, at its sole cost and expense, to cure said marketable title objections within thirty (30) days after said objections have been raised. If title to the Real Estate is not made marketable to Purchaser's reasonable satisfaction within such thirty (30) day period then, unless Seller agrees to cure such objections and/or indemnify against the same to the reasonable satisfaction of Purchaser, Purchaser shall have the right for a period of ten (10) business days to terminate this Agreement by giving written notice of termination to Seller. If Purchaser does not exercise its right to terminate, Purchaser shall be deemed to have waived uncured objections to the marketability of title.

(b) Seller shall provide, at its expense, surveys of each parcel of Real Estate. Purchaser shall have the right to make written objections to title based upon any such survey within twenty (20) days after delivery of a copy of the survey to Purchaser, and any such objections to title shall be treated in the same manner as objections to title pursuant to Section 7.8(a) of this Agreement.

ARTICLE 8. CONDITIONS PRECEDENT TO SELLER'S OBLIGATIONS

Unless waived by Seller in writing, each and every obligation of Seller to be performed at the Closing shall be subject to the satisfaction at or prior thereto of each and all of the following conditions precedent:

8.1 **Accuracy of Representations and Warranties.** The representations and warranties made by Purchaser in this Agreement, including the documents, instruments and agreements to be executed and/or delivered by Purchaser pursuant to this Agreement, shall be true and correct in all material respects at and as of the Closing with the same force and effect as though such representations and warranties had been made or given at and as of the Closing.

8.2 **Compliance with Covenants and Agreements.** Purchaser shall have performed and complied with all of its covenants, agreements and obligations under this Agreement which are to be performed or complied with by it at or prior to the Closing, including the execution and/or delivery of the documents, instruments and agreements specified in Section 2.5 hereof or in such documents, instruments and agreements, all of which shall be reasonably satisfactory in form and substance to counsel for Seller.

8.3 **Approval by Counsel.** All actions, proceedings, instruments and documents required of Purchaser to carry out the transactions contemplated by this Agreement or incidental thereto and all other related legal matters shall have been reasonably satisfactory to and approved by counsel for Seller, and such counsel shall have been furnished with such certified copies of actions and proceedings and such other instruments and documents as they shall have reasonably requested.

8.4 **Legal Opinion.** The Seller shall have received an opinion from the counsel for the Purchaser, dated as of the Date of Closing, in form and substance satisfactory to the Seller in the Seller's reasonable commercial discretion.

8.5 **Delivery of Purchase Price and Other Consideration.** Purchaser shall have delivered to the Seller, against receipt of the certificates for the Stock, the Purchase Price set forth in Section 2.2.

8.6 **Title Matters.** Purchaser and Seller shall have agreed to the terms of the preliminary title commitments and surveys with respect to the condition and status of the Owned Real Estate.

ARTICLE 9. INDEMNIFICATION

9.1 **Indemnification by Seller.** Seller covenants and agrees to defend, indemnify and hold Purchaser, its officers, directors, employees, affiliates, shareholders and agents, and each of their respective heirs, personal representatives, successors and assigns, harmless from, against and in respect of any and all losses, costs, expenses (including without limitation, reasonable

attorneys' fees and disbursements of counsel). Liabilities, damages, fines, penalties, charges, assessments, judgments, settlements, claims, causes of action and other obligations of any nature whatsoever excluding from the foregoing, however, incidental or consequential (including lost profits) or special damages of such Persons incurred directly, as opposed to such damages arising from a third-party claim (collectively "Losses"), that any of them may at any time, directly or indirectly, suffer, sustain, incur or become subject to, arising out of, based upon or resulting from or on account of each of the following:

(a) the breach or falsity of any representation or warranty made by Seller in this Agreement, including the documents, instruments and agreements to be executed and/or delivered by Seller pursuant hereto and thereto provided, however, that Seller shall not be liable for, nor be required to make any payment with respect to, any individual Loss suffered by Purchaser under this Agreement if the amount of such Loss subject to indemnification is less than Three Hundred Dollars ($300.00) (a "Small Loss")until such time that the aggregate amount of all Small Losses shall exceed Ten Thousand Dollars ($10,000.00) (the "Basket Amount") it being understood that the first $10,000 of Small Losses under this Agreement shall be borne by Purchaser so that Seller shall indemnify Purchaser only for all such Small Losses which exceed $10,000 and all other Losses. Once the aggregate of Small Losses exceeds the Basket Amount, Seller shall provide indemnification for Small Losses sustained as a result of such breach(es) or falsity(ies) in excess of the Basket Amount; or

(b) the breach of any covenant or agreement made by Seller in this Agreement, including the documents, instruments and agreements to be executed and/or delivered by Seller pursuant hereto or thereto.

9.2 **Indemnification by Purchaser.** Purchaser covenants and agrees to defend, indemnify and hold Seller, its officers, directors, employees, affiliates, shareholders or agents harmless from, against and in respect of any and all Losses that may at any time, directly or indirectly, suffer, sustain, incur or become subject to, arising out of, based upon or resulting from or on account of each or both of the following:

(a) the breach or falsity of any representation or warranty made by Purchaser in this Agreement, including the documents, instruments and agreements to be executed and/or delivered by Purchaser pursuant hereto and thereto; or

(b) the breach of any covenant or agreement made by Purchaser in this Agreement, including the documents, instruments and agreements to be executed and/or delivered by Purchaser pursuant hereto or thereto

9.3 **Procedure for Indemnification; Calculation of Loss.** In the event a party intends to seek indemnification pursuant to the provisions of Sections 9.1 or 9.2 hereof (the "Indemnified Party"), the Indemnified Party shall promptly give notice hereunder to the other party (the "Indemnifying Party") after obtaining written notice of any claim or, investigation, the service of a summons or other initial or continuing legal or administrative process or Proceeding in any action instituted against the Indemnified Party as to which recovery or other action may be

sought against the Indemnifying Party because of the indemnification provided for in Section 9.1 or 9.2 hereof, and, if such indemnity shall arise from the claim of a third party, the Indemnified Party shall permit the Indemnifying Party to assume the defense of any such claim and any Proceeding resulting from such claim; provided, however, that the Indemnified Party shall not be required to permit such an assumption of the defense of any claim or litigation which, if not first paid, discharged or otherwise complied with, would with substantial certainty result in a material interruption or disruption of the business of the Indemnified Party, taken as a whole, or any material part thereof. Notwithstanding the foregoing, the right to indemnification hereunder shall not be affected by any failure of the Indemnified Party to give such notice (or by delay by the Indemnified Party in giving such notice) unless, and then only to the extent that, the rights and remedies of the Indemnifying Party shall have been prejudiced as a result of the failure to give, or delay in giving, such notice. Failure by the Indemnifying Party to notify the Indemnified Party of its election to defend any such claim or action by a third party within twenty (20) days after notice thereof shall have been given to the Indemnifying Party shall be deemed a waiver by the Indemnifying Party of its fight to defend such claim or action.

If the Indemnifying Party assumes the defense of such claim, investigation or Proceeding resulting therefrom, the obligations of the Indemnifying Party hereunder as to such claim or Proceeding shall include taking all steps necessary in the defense or settlement of such claim or Proceeding and holding the Indemnified Party harmless from and against any and all damages caused by or arising out of any settlement approved by the Indemnifying Party or any judgment entered in connection with such claim, investigation or Proceeding, except where, and only to the extent that, the Indemnifying Party has been prejudiced by the actions or omissions of the Indemnified Party. The Indemnifying Party shall not, in the defense of such claim or any Proceeding resulting therefrom, consent to entry of any judgment (other than a judgment of dismissal on the merits without costs) except with the written consent of the Indemnified Party (which consent shall not be unreasonably withheld, delayed or conditioned) or enter into any settlement except with the written consent of the Indemnified Party (which consent shall not be unreasonably withheld, delayed or conditioned) unless (i) there is no finding or admission of any violation of law and no material effect on any claims that could reasonably be expected to be made against the Indemnified Party (ii) the sole relief provided is monetary damages for Small Losses which are applied against the Basket Amount and (iii) the settlement shall include the giving by the claimant or the plaintiff to the Indemnified Party a release from all Liability in respect to such claim or litigation.

If the Indemnifying Party assumes the defense of such claim, investigation or Proceeding resulting therefrom, the Indemnified Party shall be entitled to participate in the defense of the claim, but solely by observation and comment to the Indemnifying Party and the counsel selected by the Indemnified Party shall not appear on its behalf in any Proceeding arising hereunder. The Indemnified Party shall bear the fees and expenses of any additional counsel retained by it to participate in its defense unless any of the following shall apply: (i) the employment of such counsel shall have been authorized in writing by the Indemnifying Party; or (ii) the Indemnifying Party's legal counsel shall advise the Indemnifying Party in writing, with a copy to the Indemnified Party, that there is a conflict of interest that would make it inappropriate under applicable standards of professional conduct to have common counsel. If clause (i) or (ii) in the immediately preceding sentence is applicable, then the Indemnified Party may employ separate

counsel at the expense of the Indemnifying Party to represent the Indemnified Party, but in no event shall the Indemnifying Party be obligated to pay the costs and expenses of more than one such separate counsel for any one complaint, claim, action or Proceeding in any one jurisdiction.

If the Indemnifying Party does not assume the defense of any such claim by a third party or litigation resulting therefrom after receipt of notice from the Indemnified Party, the Indemnified Party may defend against such claim or litigation in such manner as it reasonably deems appropriate, and unless the Indemnifying Party shall deposit with the Indemnified Party a sum equivalent to the total amount demanded in such claim or litigation plus the Indemnified Party's estimate of the cost (including attorneys' fees) of defending the same, the Indemnified Party may settle such claim or Proceeding on such terms as it may reasonably deem appropriate and the Indemnifying Party shall, subject to its defenses and the applicability of any remaining threshold loss amount provided for in Section 9.1(a) hereof, promptly reimburse the Indemnified Party for the amount of such settlement and for all reasonable costs (including attorneys' fees), expenses and damages incurred by the Indemnified Party in connection with the defense against or settlement of such claim, investigation or litigation, or if any such claim or litigation is not so settled, the Indemnifying Party shall, subject to its defenses and the applicability of any remaining Basket Amount for Small Losses provided for in Section 9.1(a) hereof, promptly reimburse the Indemnified Party for the amount of any final nonappealable judgment rendered with respect to any claim by a third party in such litigation and for all costs (including attorneys' fees), expenses and damage incurred by the Indemnified Party in connection with the defense against such claim or litigation, whether or not resulting from, arising out of, or incurred with respect to, the act of a third party.

Any Loss under this Article 9: (a) shall be computed net of (x) any actual income tax benefit resulting therefrom to the Indemnified Party and (y) any insurance coverage with respect thereto, (b) shall be increased to the extent necessary to indemnify and hold harmless the Indemnified Party from any actual amount of Liability for Taxes incurred and paid which is attributable to a previous income tax deduction which is disallowed or the receipt of the indemnity payment with respect to such claim; provided, further, that, in all cases, the timing of the receipt or realization of any insurance proceeds or income tax benefits shall be taken into account in determining the amount of reduction of claims, (c) shall be based upon the actual dollar amount of the proposed Loss, without use of any multiplier, and (d) except for Losses related to title to the Stock or to Taxes shall be limited to and shall not exceed in the aggregate for all Losses, one-half (1/2) of the Purchase Price.

Each party shall cooperate in good faith and in all respects with each Indemnifying Party and its representatives (including without limitation its counsel) in the investigation, negotiation, settlement, trial and/or defense of any Proceedings (and any appeal arising therefrom) or any claim. The parties shall cooperate with the other in any notifications to and information requests of any insurers. No individual representative of any Person, or their respective Affiliates shall be personally liable for any Loss under this Agreement, except as specifically agreed to by said individual representative.

9.4 **Dispute Resolution.** In the event a dispute arises under this Agreement, except with respect to Section 2.8, such disputes shall be resolved in the manner set forth in this Section 9.4.

(a) If a dispute arises under this Agreement, including any question regarding the existence, validity, interpretation or termination hereof, which is not described as an exception in this Section 9.4, Purchaser and Seller may invoke the dispute resolution procedure set forth in this Section 9.4 by giving written notice to the other party. The parties shall enter into discussions concerning this dispute. If the dispute is not resolved as a result of such discussion in ten (10) days, an attempt will be made to resolve the matter by a formal nonbinding mediation with an independent neutral mediator agreed to by the parties. If the parties cannot agree on a mediator within a period of ten (10) days after expiration of the ten (10) day period for resolution by discussion, then either party may apply to any court of competent jurisdiction for appointment of a mediator, which appointment shall be binding and nonappealable. Upon commencement of the mediation process, the parties shall promptly communicate with respect to a procedure and schedule for the conduct of the proceeding and for the exchange of documents and other information related to the dispute. The mediation process shall be deemed ended if the dispute has not been resolved within thirty (30) days after appointment of the mediator.

(b) All claims, disputes or other matters in question between the parties to this Agreement arising out of or relating to this Agreement which are not resolved by mediation in accordance with Section 9.4(a) within thirty (30) days after appointment of mediator shall be submitted for, subject to and decided by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association currently in effect as of the date of this Agreement ("AAA Rules"), except to the extent those rules are inconsistent with this Section 9.4. Any arbitration must be held in Minneapolis, Minnesota by a single arbitrator mutually selected by the parties hereto or, if the parties hereto cannot agree on the appointment of such arbitrator within ten (10) days following the date notice of the dispute is given by a party to the adverse party, an arbitrator selected according to the AAA Rules. The arbitrator's award shall be final, conclusive and binding upon all parties to this Agreement, and judgment may be entered upon it in accordance with the Federal Arbitration Act any court of general jurisdiction in Minnesota, or in any United States District Court having jurisdiction in Minnesota. The arbitrator shall be required to provide in writing to the parties the basis for the award or order of such arbitrator, and a court reporter shall record all hearings (unless otherwise agreed to by the parties), with such record constituting the official transcript of such proceedings. Shareholders and Purchaser specifically desire this Arbitration clause to be governed by the United States Federal Arbitration Act, and not by the arbitration laws of any state.

(c) Seller and Purchaser agree and consent that any legal action, suit or proceeding seeking to enforce this Section 9.4 or to confirm or contest any arbitration award shall be instituted and adjudicated solely and exclusively in any court of general jurisdiction in Minnesota, or in the United States District Court having jurisdiction in Minnesota and Seller and Purchaser agree that venue will be proper in such courts and

waive any objection which they may have now or hereafter to the venue of any such suit, action or proceeding in such courts, and irrevocably consents and agrees to the jurisdiction of said courts in any such suit, action or proceeding. Seller and Purchaser further agree to accept and acknowledge service of any and all process which may be served in any such suit, action or proceeding in said courts, and also agree that service of process or notice upon them shall be deemed in every respect effective service of process or notice upon them, in any suit, action, proceeding or arbitration demand, if given or made: (i) according to applicable law; (ii) according to the AAA Rules; (iii) by a person over the age of eighteen who personally serves such notice or service of process on Seller or Purchaser, as the case may be; or (iv) by certified mail, return receipt requested, mailed to Seller or Purchaser, as the case may be, at their respective addresses set forth in this Agreement.

(d) In the event of arbitration filed or instituted between the parties pursuant to this Section 9.4, the prevailing party will be entitled to receive from the adverse party all costs, damages and expenses, including reasonable attorney's fees, incurred by the prevailing party in connection with that action or proceeding whether or not the controversy is reduced to judgment or award. The prevailing party will be that party who is determined by the arbitrator to have prevailed on the major disputed issues.

ARTICLE 10. TERMINATION

10.1 **Termination.** This Agreement may be terminated and the transactions contemplated herein may be abandoned after the date of this Agreement, but not later than the Closing:

(a) by mutual written consent of all parties hereto;

(b) by Purchaser or Seller if any of the conditions provided for in Article 6 of this Agreement have not been met and have not been waived in writing by the party seeking to terminate on or before the Date of Closing;

(c) by Purchaser if any of the conditions provided for in Article 7 of this Agreement have not been met and have not been waived in writing by Purchaser on or before the Date of Closing;

(d) by Seller if any of the conditions provided for in Article 8 of this Agreement have not been met and have not been waived in writing by Seller on or before the Date of Closing;

(e) by Purchaser pursuant to Section 7.8 hereof,

(f) by either Purchaser or Seller if the Closing shall not have occurred on or before January 31, 1999; and

(g) by a party who objects to a Supplement pursuant to Section 11.23.

In the event of termination or abandonment by any party as provided in this Section 10.1, written notice shall forthwith be given to the other party and each party shall pay its own expenses incident to preparation or consummation of this Agreement and the transactions contemplated hereunder and neither party shall have any Liability to the other hereunder, except such as to Liability as may arise as a result of a breach hereof.

10.2 **Return of Documents and Nondisclosure.** If this Agreement is terminated for any reason pursuant to Section 10.1 hereto, each party shall return all documents and materials which shall have been furnished by or on behalf of the other party, and each party hereby covenants that it will not disclose to any Person any confidential or proprietary information about the other party or any information about the transactions contemplated hereby, except insofar as may be necessary to assert its rights hereunder.

ARTICLE 11. MISCELLANEOUS

11.1 **Survival of Representations and Warranties.** Except as specifically provided in Section 3.17 of this Agreement, each of the representations and warranties of the parties contained in this Agreement and in any Exhibit, Schedule, certificate, instrument or document delivered by or on behalf of any of the parties hereto pursuant to this Agreement and the transactions contemplated hereby shall survive the Closing of the transactions contemplated hereby and any investigation made by the parties or their agents for a period of one year after the Closing, after which no claim for indemnification for any misrepresentation, or for the breach of any representation or warranty under this Agreement, may be brought, and no action with respect thereto may be commenced, and no party shall have any Liability or obligation with respect thereto, unless (i) the Indemnified Party gave written notice to the Indemnifying Party specifying with particularity the misrepresentation or a breach of representation or warranty claimed on or before the expiration of such period; (ii) the claim relates to a breach of any representation or warranty contained in Section 3.9, in which case the right to indemnification shall survive until the expiration of the applicable statute of limitations for each and any of the Taxes; or (iii) the claim relates to any representation or warranty in Sections 3.2 or 3.5.

11.2 **Preservation of and Access to Records.** The Purchaser shall preserve or cause Valley to preserve all books and records of Valley for a period of six (6) years after the Date of Closing; provided, however, Purchaser may destroy any part or parts of such records upon obtaining written consent of Seller for such destruction, which consent shall not be unreasonably withheld. Such records shall be made available to Seller and their representatives at all reasonable times during normal business hours of Valley during said six-year period with the right at their expense to make abstracts from and copies thereof.

11.3 **Cooperation.** The parties hereto shall cooperate with each other in all respects, including using commercially reasonable efforts to assist each other in satisfying the conditions precedent to their respective obligations under this Agreement, to the end that the transactions contemplated hereby will be consummated.

11.4 **Public Announcements.** The timing and content of all public announcements relating to the execution of this Agreement and the consummation of the transactions contemplated hereby shall be approved by both Purchaser and Seller prior to the release of such public announcements, and each party agrees to cooperate with the other party as appropriate to comply with all Applicable Laws.

11.5 **Notices.** All notices, demands and other communications provided for hereunder shall be in writing and shall be given by personal delivery, via facsimile transmission (receipt telephonically confirmed), by nationally recognized overnight courier (prepaid), or by certified or registered first class mail, postage prepaid, return receipt requested, sent to each party, at its/his address as set forth below or at such other address or in such other manner as may be designated by such party in written notice to each of the other parties. All such notices, demands and communications shall be effective when personally delivered, one (1) business day after delivery to the overnight courier, upon telephone confirmation of facsimile transmission or upon receipt after dispatch by mail to the party to whom the same is so given or made:

If to Purchaser:
Mr. Paul Hoff
The Park Region Mutual Telephone Company
P.O. Box 277
100 Main Street
Underwood, MN 56586

With a copy to:
Ann K. Newhall, Esq.
Moss & Barnett, A Professional Association
4800 Norwest Center
90 South Seventh Street
Minneapolis, MN 55402

If to Seller:
RGI Group, Inc.
P.O. Box 45
222 South Clayborn Avenue
Parkers Prairie, MN 56361
Attention: President

With a copy to:
Michael J. Grimes, Esq.
Briggs and Morgan, Professional Association
2400 IDS Center
80 South 8th Street
Minneapolis, MN 55402

11.6 **Entire Agreement.** This Agreement, including the documents, instruments, and agreements to be executed by the parties pursuant hereto, contains the entire agreement of the parties hereto and supersedes all prior or contemporaneous agreements and understandings, oral or written, between the parties hereto with respect to the subject matter hereof.

11.7 **Remedies.** The respective indemnification obligations of the parties set forth in Article 9 of this Agreement are the exclusive remedies of the parties and their successors, assigns, heirs, beneficiaries or others seeking to claim by, through, or on behalf of a party, under this Agreement, and no other remedy or remedies, whether arising under any Applicable Law, common law or otherwise, maybe used, asserted or prosecuted in connection with this Agreement and any transaction, occurrence, or omission arising from, in connection with or otherwise based upon this Agreement; provided, however, that all equitable remedies (except rescission) and all remedies described in the Consulting and Non-Competition Agreement shall remain available.

11.8 **Amendments.** No purported amendment, modification or waiver of any provision of this Agreement or any of the documents, instruments or agreements to be executed by the parties pursuant hereto shall be effective unless in a writing specifically referring to this Agreement and signed by all of the parties.

11.9 **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and permitted assigns. Except as hereinafter provided in this Section, nothing in this Agreement is to be construed as an authorization or right of any party to assign its rights or delegate its duties under this Agreement without the prior written consent of the other parties hereto. In their sole discretion, (i) Purchaser may assign its rights in and/or delegate its duties under this Agreement to an Affiliate of the Purchaser and (ii) at or after the Closing, Seller may assign its rights in and/or delegate its duties under this Agreement to a purchaser, by any means, of all or substantially all of the assets or capital stock of Seller. In the event of such an assignment of rights and/or delegation of duties, all references to the Purchaser or Seller, as applicable to the assignment, in this Agreement shall also be deemed to be references to the assignee; provided that no such assignment and/or delegation shall relieve the assignor of any of its duties or obligations hereunder.

11.10 **Costs.** Except as otherwise provided in this Agreement, each party hereto shall pay their own costs and expenses incurred in connection with negotiating and preparing this Agreement and consummating the transactions contemplated hereby, including but not limited to fees and disbursements of their attorneys, accountants and investment bankers.

11.11 **Governing Law.** This Agreement, including the documents, instruments and agreements to be executed and/or delivered by the parties pursuant hereto, shall be construed, governed by and enforced in accordance with the internal laws of the State of Minnesota, without giving effect to the principles of comity or conflicts of laws thereof.

11.12 **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same Agreement.

11.13 **Headings.** The headings of the articles, sections and subsections of this Agreement are intended for the convenience of the parties only and shall in no way be held to explain, modify, construe, limit, amplify or aid in the interpretation of the provisions hereof The

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by duly authorized representations as of the day, month and year first above written.

PURCHASER:

THE PARK REGION MUTUAL TELEPHONE COMPANY

By _____
Paul Hoff, General Manager and CEO

SELLER:

RGI GROUP, INC.

By _____
George M. Revering, President

EXHIBIT A

SELLER'S CLOSING CERTIFICATE

The undersigned (the "Seller") hereby certifies to The Park Region Mutual Telephone Company, a Minnesota cooperative (the "Buyer"), pursuant to Section 2.4(a) of the Stock Purchase Agreement made and entered into as of the ____ day of _____, 1998, by and between the Purchaser and Seller (the "Purchase Agreement"), as follows:

1. All of the representations and warranties made by the Seller in the Purchase Agreement, as modified by the Schedules or any Supplement, and in the documents, instruments, and agreement executed and/or delivered by the Seller pursuant to the Purchase Agreement are true and correct in all material respects on and as of the date hereof with the same force and effect as though as such representations and warranties had been made on or given on and as of the date hereof; and

2. Except as set forth immediately below, the Seller has performed and complied with all of its covenants and obligations under the Purchase Agreement which were to be performed and complied with by it prior to or on the date hereof:

IN WITNESS WHEREOF, this Seller's Closing Certificate has been executed as of the ____ day of _____, 199___.

SELLER:

RGI GROUP, INC.

By _____
George M. Revering, President

EXHIBIT B

MUTUAL RELEASE

THIS MUTUAL RELEASE is made this ____ day of _____, 199_, by and among Valley Telephone Company, a Minnesota corporation (the "Company"), The Park Region Mutual Telephone Company, a Minnesota cooperative (the "Purchaser"), and RGI Group, Inc., a Minnesota corporation (the "Seller").

WHEREAS, the Seller has heretofore been the sole shareholder of the Company;

WHEREAS, the Purchaser and the Seller have entered into a Stock Purchase Agreement dated as of _ _____, 1998, pursuant to which the Purchaser will become the sole shareholder of the Company (the "Purchase Agreement"); and

WHEREAS, it is a condition precedent to the obligations of the Purchaser and the Seller under the Purchase Agreement that the parties execute this Mutual Release.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Release of the Seller.** Except as otherwise provided in paragraph 3 below, the Purchaser and the Company acting for themselves, their respective insurers, shareholders, officers, directors, agents, successors and assigns, and each of them, do hereby release and forever discharge the Seller, its successors and assigns from any and all liabilities, claims, demands and causes of action, either in law or in equity, known or unknown, liquidated or unliquidated, which have arisen or may arise out of or are in any way connected with any act, omission, event, occurrence, representation, warranty, failure, default or breach, actual or asserted, of the Seller on or prior to the date of this Mutual Release.

2. **Release of Purchaser and the Company.** Except as otherwise provided in paragraph 3 below, the Seller, acting for itself, its insurers, shareholders, officers, directors, agents, successors and assigns does hereby release and forever discharge the Purchaser and the Company, their respective officers, employees, agents, consultants, successors and assigns, and each of them, from any and all liabilities, claims, demands and causes of action, either in law or in equity, known or unknown, liquidated or unliquidated, which have arisen or may arise out of or are in any way connected with any act, omission, event, occurrence, representation, warranty, failure, default or breach, actual or asserted, of any one or more of the Purchaser or the Company on or prior to the date of this Mutual Release.

3. **Excluded Claims.** This Mutual Release shall not apply to any liabilities, obligations, claims, demands or causes of action, either in law or in equity, known or unknown, liquidated or unliquidated, which have arisen or may arise out of or are in any way connected with.

(a) The Purchase Agreement or any of the documents, instruments or agreements to be executed by any one or more of the parties pursuant to the Purchase Agreement which any one or more of the parties hereto ever had, have, or hereafter ever can, shall or may have or claim to have, on account of any act, omission, event, occurrence, representation, warranty, failure, default or breach, actual or asserted, of any one or more of the other parties hereto, their respective officers, employees, agents, consultants, heirs, personal representatives, successors or assigns, as the case may be, or any of them; or

(b) The Company's obligation to indemnify its officers and directors to the extent allowed by law; excluding, however, actions taken by any officer or director of the Company in connection with or related to the Purchase Agreement and the transactions contemplated thereby.

4. **Governing Law.** The validity, interpretation, and performance of this Mutual Release shall be controlled by and construed under the laws of the State of Minnesota.

5. **Counterparts.** This Mutual Release may be executed in one or more counterparts which together constitute one and the entire agreement among the parties with respect to the transactions contemplated hereby.

6. **Pronouns.** For the purposes of this Mutual Release, masculine pronouns shall include the feminine and neuter forms hereof as appropriate.

7. **Severability.** Whenever possible, each provision of this Mutual Release will be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Mutual Release is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Mutual Release.

8. **Amendment.** This Mutual Release shall not be deemed or construed to be modified, amended, rescinded, canceled or waived, in whole or in part, except by written amendment signed by each of the parties hereto.

9. **Headings.** The headings herein are for purposes of reference only and shall not otherwise affect the meaning or interpretation of any provision hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Mutual Release as of the day, month and year first above written.

COMPANY:

VALLEY TELEPHONE COMPANY

By: _____
Its: _____

PURCHASER:

THE PARK REGION MUTUAL TELEPHONE COMPANY

By: _____
Paul Hoff, General Manager and CEO

SELLER:

RGI GROUP, INC.

By: _____
Its: _____

EXHIBIT C

AGREEMENT REGARDING INDEMNIFICATION

This Agreement is made as of the ____ day of _____, 19___, by The Park Region Mutual Telephone Company, a Minnesota cooperative ("Purchaser"), RGI Group, Inc., a Minnesota corporation ("Seller"), and George M. Revering, Joyce C. Revering, and the George M. Revering Irrevocable Trust U/A dated July 22, 1996 (collectively, the "Shareholders").

RECITALS:

A. The Shareholders are three of the shareholders in Seller, which on today's date sold all of its stock in Valley Telephone Company, a Minnesota corporation, to Purchaser pursuant to the August ___, 1998 Stock Purchase Agreement between Purchaser and Seller (the "Purchase Agreement").

B. Section 9 of the Purchase Agreement (the "Indemnification Agreement") provides that Seller shall indemnify Purchaser on the terms and conditions set forth in the Indemnification Agreement.

C. The Shareholders' execution of this Agreement is a condition precedent to Purchaser's obligation to consummate the transaction contemplated by the Purchase Agreement.

D. Except as otherwise provided herein, all capitalized terms shall have the definitions set forth in the Purchase Agreement.

AGREEMENT

In consideration of the foregoing recitals and the consummation of the transaction contemplated by the Purchase Agreement, the parties agree as follows:

1. Indemnification Obligation. Immediately upon the closing of an RGI Sale, as hereinafter defined, each of the Shareholders shall become jointly and severally liable, with Seller, for all of Seller's obligations pursuant to the Indemnification Agreement as if they had each been party to the Indemnification Agreement in the first instance. The liability of the Shareholders shall apply to all unpaid, pending and future claims by Purchaser pursuant to the Indemnification Agreement; provided, however, that the Shareholders' liability shall be limited in accordance with the terms of the Indemnification Agreement. "RGI Sale" means any transfer of 50 percent or more of the issued and outstanding stock in Seller to one or more individuals or entities. In the event an RGI Sale is consummated by a closing, all Seller's rights, duties, obligations and authority pursuant to the Indemnification Agreement and associated provisions of the Purchase Agreement, including Section 2.9 of the Purchase Agreement (the "Indemnification Holdback") and to participate in the resolution of claims subject to indemnification shall in every respect and without limitation immediately be transferred to the Shareholders.

2. Indemnification Account. In the event any RGI Sale is consummated by a closing prior to the Expiration Date, Purchaser and Seller shall transfer the entire remaining balance of the Indemnification Account into a segregated, short-term investment account in the name of a Shareholder (the "RGI Sale Indemnification Account") at a bank which is mutually acceptable to Purchaser and Shareholders. Withdrawals from the RGI Sale Indemnification Account shall require the signature of an authorized signatory of Purchaser and of any one of the Shareholders. The RGI Sale Indemnification Account shall expire on the Expiration Date. The obligation of the Shareholders pursuant to Paragraph 1 of this Agreement is not dependent upon completion of the requirements of this Paragraph 2.

3. Indemnification Procedure. The indemnification procedure pursuant to this Agreement shall be identical, except for the substituted parties, to the indemnification procedure set forth Section 2.9(b) of the Purchase Agreement.

4. General Provisions

4.1 No Waiver. No provision of this Agreement shall be deemed to have been waived unless such waiver is in writing signed by the waiving party. No failure by any party to insist upon the strict performance of any provision of this Agreement, or to exercise any right or remedy consequent upon a breach thereof, shall constitute a waiver of any such breach, of such provision or of any other provision. No waiver of any provision of this Agreement shall be deemed a waiver of any other provision of this Agreement or a waiver of such provision with respect to any subsequent breach, unless expressly provided in writing.

4.2 Notices. All notices required or permitted to be given under this Agreement shall be in writing. Notices may be served by certified or registered mail, postage paid with return receipt requested; by private courier, prepaid; by telex, facsimile, or other telecommunication device capable of transmitting or creating a written record; or personally. Mailed notices shall be deemed delivered three (3) days after mailing, properly addressed. Couriered notices shall be deemed delivered on the date that the courier warrants that delivery will occur. Telex or telecommunicated notices shall be deemed delivered when receipt is either confirmed by confirming transmission equipment or acknowledged by the addressee or its office. Personal delivery shall be effective when accomplished. Unless a party changes its address by giving notice to the other party as provided herein, notices shall be delivered to the parties at the following addresses:

Shareholders or Seller:

George M. Revering
c/o RGI Group, Inc.
P.O. Box 45
222 South Clayborn Avenue
Parkers Prairie, MN 56361
Facsimile: (218) 338-3298

with a copy to: Michael J. Grimes, Esq.
Briggs & Morgan, P.A.
2400 IDS Center
80 So. 8th Street
Minneapolis MN 55402
Facsimile: (612) 334-8650

Purchaser: Paul Hoff, General Manager and CEO
The Park Region Mutual Telephone Company
100 Main Street
P.O. Box 277
Underwood, MN 56586
Facsimile: (218) 826-6298

with a copy to: Ann K. Newhall, Esq.
Moss & Barnett, P.A.
4800 Norwest Center
90 So. 7th Street
Minneapolis MN 55402-4129
Facsimile: (612) 339-6686

4.3 Integration; Amendment. This Agreement constitutes the entire agreement of the parties relating to the subject matter hereof. There are no promises, terms, conditions, obligations, or warranties other than those contained in this Agreement. This Agreement supersedes all prior communications, representations, or agreements, verbal or written, between the parties relating to the subject matter hereof. This Agreement may not be amended except in writing executed by the parties.

4.4 Severability. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, all of which shall remain enforceable in accordance with their terms. Should any of the obligations hereunder be found illegal or unenforceable, such obligations shall be enforceable within whatever terms a court of competent jurisdiction shall deem allowable by law.

4.5 Assignment. The Shareholders shall not assign, sell, subcontract, delegate or otherwise transfer their rights or obligations under this Agreement without the prior written consent of the Purchaser, and any attempted assignment or delegation shall be void and without effect.

4.6 Successors. This Agreement shall be binding upon and inure to the benefit of the parties and successors and assigns.

4.7 Governing Law. The parties hereto intend that this Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota applicable to contracts made and wholly performed within Minnesota by persons domiciled in Minnesota.

4.8 Attorneys' Fees and Court Costs. If any suit or action arising out of or related to this Agreement is brought by any party, the prevailing party or parties shall be entitled to recover the costs and fees (including without limitation reasonable attorney fees, the fees and costs of experts and consultants, copying, courier and telecommunication costs, and deposition costs and all other costs of discovery) incurred by such party or parties in such suit or action, including without limitation any post-trial or appellate proceeding.

4.9 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement binding on all the parties, notwithstanding that all parties are not signatories to the same counterpart.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

SHAREHOLDERS

_____

George M. Revering

_____

Joyce C. Revering

George M. Revering Irrevocable Trust U/A
Dated July 22, 1996

By _____
Trustee

PURCHASER

The Park Region Mutual Telephone Company

By _____
Paul Hoff, General Manager and CEO

SELLER

RGI Group, Inc.

By _____
George M. Revering, President

EXHIBIT D

PURCHASER'S CLOSING CERTIFICATE

The undersigned (the "Purchaser") hereby certifies to RGI Group, Inc., a Minnesota corporation (the "Seller"), pursuant to Section 2.5(a) of the Stock Purchase Agreement made and entered into as of the _____ day of _____ 1998, by and between Purchaser and Seller (the "Purchase Agreement"), as follows:

1. All of the representations and warranties made by the Purchaser in the Purchase Agreement, as modified by any Supplement, and in the documents, instruments and agreements executed and/or delivered by the Purchaser pursuant to the Purchase Agreement are true and correct in all material respects on and as of the date hereof with the same force and effect as though such representations and warranties had been made on or given on and as of the date hereof; and

2. Purchaser has performed and complied with all of its covenants and obligations under the Purchase Agreement which were to be performed and complied with by it prior to or on the date hereof.

IN WITNESS WHEREOF, I have executed this Closing Certificate as of the __ day of _____ 199__.

PURCHASER

THE PARK REGION MUTUAL TELEPHONE COMPANY

By _____
Paul Hoff, General Manager and CEO

EXHIBIT E

ACCOUNTANTS' REVIEW REPORT

Boards of Directors
RGI Group, Inc.
The Park Region Mutual Telephone Company

We have reviewed the accompanying special purpose balance sheet of Valley Telephone Company as of _____(closing date)_____ in accordance with standards established by the American Institute of Certificate Public Accountants. All information included in this financial statement is the representation of management of Valley Telephone Company.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally-accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statement taken as a whole. Accordingly, we do not express such an opinion.

The accompanying special purpose balance sheet was prepared for the purpose of complying with Section 2.2(b) and Section 2.8 of the Stock Purchase Agreement between The Park Region Mutual Telephone Company and RGI Group, Inc. as discussed in Note A, and is not intended to be a presentation in conformity with generally-accepted accounting principles.

Based on our review, we are not aware of any material modifications that should be made to the accompanying special purpose balance sheet in order for it to be in conformity with the basis of accounting described in Note A.

Our review was conducted for the purpose of expressing limited assurance that there are no material modifications that should be made to the special purpose balance sheet in order for it to be in conformity with basis of accounting described in Note A. The information included in the accompanying itemized calculation of balance sheet adjustment is presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the special purpose balance sheet and we are not aware of any material modifications that should be made thereto.

This report is intended solely for the information and use of the boards of directors and managements of RGI Group, Inc.,Valley Telephone Company and The Park Region Mutual Telephone Company and should not be used for any other purpose.

_____ _____
(Date Review Completed) (Signed)

ITEMIZED CALCULATION OF BALANCE SHEET ADJUSTMENT:

Stockholder Equity Calculation:

Stockholder's Equity on Closing Date per Closing Date Balance Sheet		$ _____
Stockholder's Equity required by Section 2.2(b) of the Agreement		(1,195,373)
Increase (Decrease) (Any increase amount in excess of $0, is to be noted as $0)	(A)	$ _____

Working Capital Calculation:

Working Capital on Closing Date per the accompanying Closing Date Balance Sheet		$ _____
Working capital required by Section 2.2(b) of the Agreement		(72,250)
Difference Increase (Decrease) (Any amount lower than $0, is to be noted as $0)	(B)	$ _____

Post-Closing Calculation of Due/To From:

Increase (Decrease) in Stockholder's Equity per "A" above		$ _____
Increase (Decrease) in Working Capital per "B" above		$ _____
Preliminary final Adjustment due to (Seller/Purchaser) (In the event (B) is greater than (A), $0 is to be noted)	(C)	$ _____

Reconciliation of Balance Sheet Final Adjustment:

Preliminary final Adjustment due to (Seller/Purchaser) per (C) above	(C)	$ _____
Amount withheld from Seller in preliminary calculation at Closing (This is due to Seller)	(D)	$ _____
Balance Sheet Adjustment Due to (Seller/Purchaser) (Difference between (C) and (D))		$ _____

DISCLOSURE SCHEDULES

TO

THE STOCK PURCHASE AGREEMENT

BY AND BETWEEN

THE PARK REGIONAL MUTUAL TELEPHONE COMPANY

AND

RGI GROUP, INC.

Dated as of September 1, 1998

These Disclosure Schedules are referred to in the Stock Purchase Agreement (the "Agreement") between The Park Region Mutual Telephone Company, a Minnesota cooperative (the "Purchaser") and RGI Group, Inc., a Minnesota corporation ("Seller") as "Schedules", and hereby incorporate by reference the due diligence documents (referred to herein as the "Due Diligence Documents") transmitted to Purchaser on dates specific as evidenced by Seller's (or its agents) transmittal of the correspondence thereto. All descriptions set forth in the Schedules are modified and supplemented by the actual descriptions and text in the Due Diligence Documents.

INDEX TO DISCLOSURE SCHEDULES

SCHEDULE	DESCRIPTION
SCHEDULE 3.1	Foreign Qualification
SCHEDULE 3.2	Outstanding Convertible Securities or Debt Securities
SCHEDULE 3.4	Nonconravention
SCHEDULE 3.5	Permitted Encumbrances
SCHEDULE 3.6	Assets Not in Proper Condition
SCHEDULE 3.7	Litigation
SCHEDULE 3.8	Labor Matters
SCHEDULE 3.9	Taxes - Disputed Claims and Tax Returns
SCHEDULE 3.12	Financial Statements
SCHEDULE 3.13	Absence of Certain Developments
SCHEDULE 3.14	Intellectual Property
SCHEDULE 3.16	Operating Contracts
SCHEDULE 3.17	Real Estate
SCHEDULE 3.19	Bank Accounts
SCHEDULE 3.21	Licenses and Permits
SCHEDULE 3.22	Other Material Contracts and Obligations
SCHEDULE 3.23	Subsidiaries
SCHEDULE 3.24	Insurance
SCHEDULE 3.26	Relationship with Related Persons
SCHEDULE 3.27	Hazardous Materials
SCHEDULE 3.28	Other Environmental Matters
SCHEDULE 3.29	Debt Instrument
SCHEDULE 5.1(f)	Capital Expenditures

DISCLOSURE SCHEDULES
VALLEY TELEPHONE COMPANY

SCHEDULE 3.1

Foreign Qualification

List of States or Jurisdictions Whereby Valley Is Not Qualified to Transact Business as a Foreign Corporation

(i) South Dakota Public Utilities Commission ("PUC") authorized Valley as a telephone service provider in West Browns Valley, SD area. Valley has the authority to do business in South Dakota due to its registration with the South Dakota PUC, but does not file an annual registration with the South Dakota Secretary of State's office, and has not filed qualification documents therewith; see Schedule 3.4 (i) and Schedule 3.21(iii).

DISCLOSURE SCHEDULES
VALLEY TELEPHONE COMPANY

SCHEDULE 3.2

Capitalization

List of Outstanding Convertible or Debt Securities, Rights Outstanding, Shareholder Agreements or other Agreements, Understandings, or Commitments Relating to the Rights of the Seller to Vote or Dispose of the Stock

None

DISCLOSURE SCHEDULES
VALLEY TELEPHONE COMPANY

SCHEDULE 3.4

Noncontravention

List of Filings, Permits, Authorizations, Consents or Approvals of, or the Giving of any Notice to, any Person of Which the Execution of the Agreement Requires

(i) Authorization from the respective Public Utilities Commission in the states of Minnesota and South Dakota; see Schedule 3.21 (ii) and (iii)

(ii) Written consent required from St. Paul Bank for Cooperatives ("St. Paul") in accordance to that certain Loan Agreement by and between St. Paul and Revering Finance Corporation, dated April 5, 1996; see Schedule 3.5 (i) and 3.26 (viii)

(iii) Written consent required from United States Satellite Broadcasting Company ("USSB") regarding USSB Promotional Service Agreement by and between Valley and USSB, dated March 16, 1998; see Schedule 3.16 (xxvii)

DISCLOSURE SCHEDULES
VALLEY TELEPHONE COMPANY

SCHEDULE 3.5

Permitted Encumbrances

List of Permitted Encumbrances

(i) All assets of Valley pledged to St. Paul Bank for Cooperatives ("St. Paul") in accordance to that certain Loan Agreement by and between St. Paul and Revering Finance Corporation, dated April 5, 1996; see Schedule 3.4 (ii) and 3.26 (viii)

(ii) Lease purchase contract for Browns Valley, Minnesota Telemarketing Center; see Schedule 3.16 (xxviii) and 3.17 (i)

(iii) Permitted Encumbrances associated with or as set forth in the Real Estate materials prepared or to be prepared pursuant to Schedule 3.17, Section 5.14 and Section 7.8. The transmittal of such Encumbrances shall be submitted after execution of the Agreement and prior to The Closing Date.

DISCLOSURE SCHEDULES
VALLEY TELEPHONE COMPANY

SCHEDULE 3.6

Condition of Assets

List of Valley's Properties and Assets that are not in good repair, not usable or not used in the Business

None

DISCLOSURE SCHEDULES
VALLEY TELEPHONE COMPANY

SCHEDULE 3.7

Litigation

List of Pending or Threatened Proceedings Which Could Reasonably be Expected to have a Material Adverse Effect on Valley

None

DISCLOSURE SCHEDULES
VALLEY TELEPHONE COMPANY

SCHEDULE 3.8

Labor Matters

List of (i) Any Pending or Threatened Work Stoppage, Organizational Activity or Other Labor Dispute, or Other Proceeding in Respect to the Grievance of Any Employee, Including Any Application or Complaint Filed with a Governmental Body Against or Affecting Valley, (ii) Any Lockouts of Any Employees by Valley and (iii) Any Pending or Threatened Allegation, Charge, Complaint, or Proceeding of Its Current or Former Officers, Directors or Employees

None

DISCLOSURE SCHEDULES
VALLEY TELEPHONE COMPANY

SCHEDULE 3.9

Taxes - Disputed Claims and Tax Returns

List of All Federal, State, Local and Foreign Income Tax Returns Filed With Respect to the Company for Taxable Periods Ended On or After December 31, 1995

RGI Group, Inc. has filed the following consolidated tax returns (which include Valley):

(i) Federal Income Taxes for Years Ending December 31, 1995, December 31, 1996 and December 31, 1997.

(ii) Minnesota Department of Revenue Corporation Franchise Tax for Years Ending December 31, 1995, December 31, 1996 and December 31, 1997.

DISCLOSURE SCHEDULES
VALLEY TELEPHONE COMPANY

SCHEDULE 3.12

Financial Statements

List of Financial Statements Previously Furnished to Purchaser by Valley

(i) Financial Statements Together With Independent Auditors' Report, for the Year Ending December 31, 1994, Prepared by Olsen, Thielen & Co., Ltd.

(ii) Financial Statements Together With Independent Auditors' Report, for the Year Ending December 31, 1995, Prepared by Olsen, Thielen & Co., Ltd.

(iii) Financial Statements Together With Independent Auditors' Report, for the Year Ending December 31, 1996, Prepared by Olsen, Thielen & Co., Ltd.

(iv) Financial Statements Together with Independent Auditors' Report, for the Year Ending December 31, 1997, Prepared by Olsen, Thielen & Co., Ltd.

(v) Independent Auditors' Report on Internal Control Prepared by Olsen, Thielen & Co., Ltd., dated April 9, 1998

(vi) Unaudited internally prepared Financial Statements (income statement, balance sheet, and cash flow statement) and general ledger through June 30, 1998 furnished to Purchaser's accounting firm, Olsen, Thielen & Co., Ltd. on August 6, 1998.

DISCLOSURE SCHEDULES
VALLEY TELEPHONE COMPANY

SCHEDULE 3.13

Absence of Certain Developments

List of Matters Conducted by Valley Out of the Ordinary Course of Business Since the Last Balance Sheet Dated December 31, 1997

(i) Paid Promissory Note for $130,000 payable to West Central Minnesota Initiative Fund by Valley, dated February 12, 1996 on April 23, 1998

(ii) Entered into Promissory Note payable to Valley by C. Max and Susan Tite in the amount of $100,000, dated May 8, 1998, and evidence of UCC-1 filing; see Schedule 3.16 (xxxi) and 3.26 (ii)

DISCLOSURE SCHEDULES
VALLEY TELEPHONE COMPANY

SCHEDULE 3.14

Intellectual Property

List of Material Intellectual Property Owned or Used by Valley In the Operation of Its Business

(i) The Company uses various "off-the-shelf" software in the conduct of its business for which no separate list has been prepared

(ii) Proxy granting to Valley the right to vote RGI Group, Inc.'s stock in Revering Finance Corporation, dated March 25, 1993; see Schedule 3.16(iii) and 3.26(v)

(iii) Corporate name "Valley Telephone Company" authorized for use by Valley in the states of Minnesota and South Dakota.

- Certificate of Incorporation issued by the State of Minnesota, dated November 4, 1953; see Schedule 3.21 (i)
- Certificate of Authorization issued by the South Dakota PUC, dated June 24, 1992, registers the company name with the South Dakota Secretary of State

(iv) Current Customer Rate Plans for Business Residence Classes of service by Valley: see Attached

ATTACHMENT

VALLEY TELEPHONE COMPANY

Class of Service	Monthly Rates	No. of Customers
BUSINESS:		
One Party - Access	$19.23	67
PBX Trunk - Access	$21.25	150
Key System Line - Access	$21.25	20
RESIDENCE:		
One Party - Access	$12.23	553

1.DISCLOSURE SCHEDULES
VALLEY TELEPHONE COMPANY

SCHEDULE 3.16

Operating Contracts

List of All Contracts Valid, Binding, and Currently in Full Force and Effect

(i) Agreement by and between Federated Telephone Cooperative and Valley, dated February 21, 1989

(ii) Agreement between Midwest Information Systems, Inc. and Valley, dated January 1, 1998

(iii) Proxy granting to Valley the right to vote RGI Group, Inc.'s stock in Revering Finance Corporation, dated March 25, 1993; see Schedule 3.14(ii) and 3.26(v)

(iv) General Operating Agreement by and between Valley and Northwestern Bell Telephone Co., dated January 1, 1984

- Intrastate-Intralata Private Line Services Supplement, Basis Of Compensation Average Schedules, effective January 1, 1984

(v) Accounting Services Agreement by and between Northwestern Bell Telephone Company and Valley, effective January 1, 1984

(vi) Billing, Collecting and Remitting Agreement by and between Northwestern Bell Telephone Company and Valley, effective January 1, 1984

(vii) Directory, Local Operator, and Associated Services Agreement by and between Northwestern Bell Telephone Company and Valley, dated July 22, 1985

(viii) NWB-ICO Intermediary Agreement by and between Northwestern Bell and Valley, effective January 1, 1984

(ix) Intrastate Intralata Toll Services Agreement by and between Northwestern Bell Telephone Company and Valley, effective August 1, 1988

- Intrastate Intralata Toll Services Agreement Supplement, effective August 1, 1990

(x) Intrastate Intralata Toll Services Agreement by and between Northwestern Bell Telephone Company and Valley, effective September 1, 1986

- Interstate Intralata Toll Services Agreement Supplement, effective January 1, 1991

(xi) Exchange Carrier Listing Information Agreement by and between the Northwestern Bell Telephone Company and Valley, effective November 1, 1989

(xii) Revenue Distribution Agreement for Feature Group A Switched Access Services by and between Northwestern Bell Telephone Company and Valley, effective July 1, 1990

(xiii) Confidentiality/Reciprocity of Release of Information Agreement by and between U S West Communications, Inc. and Valley, effective January 1, 1997

(xiv) Access Billing Service Agreement Under the Single Bill Multiple Tariff Single Check Meet Point Billing Option, effective February, 1992

(xv) Agreement for the Provision of Billing and Collection Services by and between U S West Communications and Valley, effective August 1, 1993

(xvi) Compensation Agreement for Terminating Type 2 Cellular Traffic by and between U S West Communications, Inc. and Valley, effective October 1, 1992

(xvii) Agreement for the Provision of Services by Local Exchange Carriers for National Independent Billing Limited Partnership by and between National Independent Billing Limited Partnership and Valley, dated February, 1996

(xviii) Traffic Agreement Amendment by and between Valley and Minnesota Independent Equal Access Corporation, dated June 11, 1993

(xix) Local Exchange Company (LEC) Nondisclosure Agreement by and between American Telephone and Telegraph Company and Valley, effective September 8, 1989

(xx) Agreement for the Provision of Telecommunications Services and Facilities by and between AT&T Communications of the Midwest Inc. and Valley, dated January 1, 1984

- General Provisions
- Customer Billing and Related Data Services
- Billing Functions
- Determination of Amount Due AT&T-C
- Sales Leads and Other Marketing Services
- Mutual Honoring of Calling Card and Credit Card Account Numbers
- Customer Orders and Information for 891 Format AT&T Cards and CIID AT&T Cards

(xxi) Polaris Telcom Billing and Collection Agreement by and between Polaris Telcom and Valley, effective July 1, 1995

(xxii) Yellow Pages Agreement by and between Independent Information Services Corporation, dated November 18, 1997

(xxiii) Fiber Optics Lease Agreement by and between West Central Transport Group, LLC and Valley, dated September 1, 1995

(xxiv) Equipment Space and Power Agreement by and between West Central Transport Group, LLC and Valley, dated September 1, 1995

(xxv) Equipment Space and Power Agreement Assignment by and between West Central Transport Group, LLC, St. Paul Bank of Cooperatives and Valley, dated September 1, 1995

(xxvi) Marketing Service Agreement with Minnesota Interchange Corporation and Valley, dated August 14, 1995

(xxvii) USSB Promotional Service Agreement with U.S. Satellite Broadcasting Company and Valley, dated March 16, 1998; see Schedule 3.4(iii)

(xxviii) Real Estate and Equipment Lease with Option to Purchase by Edward Blank Associates, Inc., dated March 1, 1996; see Schedule 3.17 (i) and 3.5 (ii)

(xxix) Member Control Agreement of Northwest Minnesota Special Access, LLC, dated December 19, 1996 pursuant to Minnesota Statutes §322B.37, whereby investment to date is $61,540.47; see Schedule 3.23(i)

(xxx) Owner of 22,851 shares in Independent Information Services Corporation Stock at a current value of $22,851.00 and a $5,000 Promissory Note; see Schedule 3.23 (iii)

(xxxi) Promissory Note payable to Valley by C. Max and Susan Tite for $100,000, dated May 8, 1998 and evidence of UCC-1 filing; see Schedule 3.13 (ii) and 3.26 (i)

(xxxii) Oral Agreement for management services by and between Valley and RGI Group, Inc., and which provides as follows: In exchange for management services provided to Valley by RGI Group, Inc., Valley has agreed to pay RGI Group, Inc. an annualized management fee of $560,000 for the calender year 1998; see Schedule 3.26 (i)

(xxxiii) Letter confirming the Oral Agreement between Midwest Data Services and George Revering, Don Roiland, and Dave Froegel, representing Valley, regarding the charges for polling and converting messages, dated August 5, 1998. see Schedule 3.26 (iii)

(xxxiv) Construction Contract between Riley Bros. Utility Service Company, contractor, and Valley Telephone Company, owner, dated July 8, 1998.

DISCLOSURE SCHEDULES
VALLEY TELEPHONE COMPANY

SCHEDULE 3.17

Real Estate

List of all Owned Real Property With Legal Descriptions of Easements and Leases of Leased Real Estate

(i) Owned property located at 201 West Broadway, Browns Valley, Minnesota; see Attachment A for legal description. see Schedule 3.26 (ix)

- Real Estate and Equipment Lease with Option to Purchase by Edward Blank Associates, Inc., dated March 1, 1996; see Schedule 3.16 (xxviii) (This is a lease purchase arrangement for the Valley Telemarketing Center)

(ii) Owned property located at 13 4th Street South, Browns Valley, Minnesota; see Attachment B or legal description

(iii) Owned property located at 330 South Jefferson, Browns Valley, Minnesota; see Attachment B for legal description

(iv) Easements and Right of Way Contracts for Fiber Optic cable in Roberts County by and between Valley Telephone Company, Grantee and the following Grantors:

- Michael B. Rolstad and Susan Rolstad, Lots 7 and 8 of Torvicks Subdivision;
- Marion Sorenson, a Widow, Lot 6 of Torvicks Subdivision;
- David S. Peterson and Donna Peterson, Lot 5 of Torvicks Subdivision;
- David S. Peterson and Donna Peterson, Lot 4 of Torvicks Subdivision;
- Michael Ira Selvage, Sr., Lot 3 of Torvicks Subdivision;
- Walter Job and Vera Job; Lot 2 of Trovicks Subdivision;
- Kenneth A. Brooks and Janice Brooks, Lot 1 of Torvicks Subdivision;
- Dewain Waletich and Joan M. Waletich, S1/2 SE1/4 and S1/2 SW1/4 all in Section 25, Township 126N, Range 52W of the 5th P.M. Less parts deeded of record.

(v) Easement to Valley Telephone Company from Burlington Northern re the telephone cable crossing at Browns Valley, Minnesota.

(vi) Easement to Valley Telephone Company from Corps of Engineers re. the underground telephone cable on Government land in Traverse County.

(vii) Easement to Valley Telephone Company from SD Department of Highways re: installation of buried telephone cable on Highway 10, in Roberts County, South Dakota.

NEXT

DOCUMENT (S)

BEST IMAGE

POSSIBLE

ATTACHMENT A: 201 West Broadway, Browns Valley, Minnesota Property

No delinquent taxes and transfer entered:
Certificate of Real Estate Value
( ) filed ( ) not required
Certificate of Real Estate Value No. 38 08
12.24, 1997

County Auditor
by
Deputy

124072

COUNTY RECORDER
County of Traverse, Minnesota

TRAVERSE COUNTY
DEED TAX $ 3.30 PAID
Receipt No. 2115 Date 12-24-97
Co. Treas.

Limited Warranty Deed
Corporation or Partnership to
Corporation

STATE DEED TAX DUE HEREON: $ 3.30

Date: December 16, 1997

FOR VALUABLE CONSIDERATION, Revering Group, Inc., a Corporation under the laws of Minnesota, Grantor, hereby conveys and quitclaims to Valley Telephone Company, Grantee, a Corporation under the laws of Minnesota, real property in Traverse County, Minnesota, described as follows:

All of Lots One (1) and Two (2) and Lot Three (3) except the West Five (5) feet thereof, all in Block Eleven (11), of the Original Plat of the City of Browns Valley,

Seller certifies that seller does not know of any wells on the premises.

together with all hereditaments and appurtenances belonging thereto. Grantor covenants and represents that:
(1) This Deed conveys after-acquired title; and
(2) Grantor has not made, done, executed or suffered any act or thing whereby the above-described property or any part thereof, now or at any time hereafter, shall or may be imperiled, charged or encumbered in any manner, and Grantor will warrant the title to the above-described property against all persons claiming the same from or through Grantor as a result of any act or thing, EXCEPT: _____

REVERING GROUP, INC.
by: George D. Revering
Its Vice-President

STATE OF SOUTH DAKOTA
ss
COUNTY OF CODINGTON

The foregoing instrument was acknowledged before me this 19th day of December, 1997, by George D. Revering the Vice-President of Revering Group, Inc., a Corporation under the laws of Minnesota, on behalf of the Corporation.

WILLIAM O. CHASE
NOTARY PUBLIC
SOUTH DAKOTA
SEAL

William O. Chase
Notary Public

This instrument
Lowell H. Nelson
MARTIN, NELSON & GLASRUD, P.A.
1111 1st Ave. N.
Wheaton, MN 56296-0741

Tax statements should be sent to:
Valley Telephone Company
13 4th St. S., P.O. Box 11
Browns Valley, MN 56318

Receipt No. [illegible] Date [illegible]

[illegible] Co. Treas

No delinquent taxes and transfer entered.
Certificate of Real Estate Value [illegible]
filed (—) not required Certificate of
Real Estate Value No. _____

1-7 -98

[illegible] Auditor

By [illegible] Deputy

124107

COUNTY RECORDER

County of Traverse, Minnesota

I hereby certify that the within instrument was filed in this office for record on the [illegible] day of [illegible] AD 19[illegible] at [illegible] o'clock [illegible] M. and was duly recorded in Book [illegible] of [illegible] on page [illegible]

[illegible]
COUNTY RECORDER

By _____ Deputy

WARRANTY DEED

STATE DEED TAX DUE HEREON: $1.65

Date: 5 January 1998

FOR VALUABLE CONSIDERATION, the City of Browns Valley, a municipal corporation under the laws of the State of Minnesota, Grantor, hereby conveys and warrants to Valley Telephone Company, Grantee, a corporation under the laws of the State of Minnesota, real property in Traverse County, Minnesota, described as follows:

Lots Seven (7), Eight (8) and Nine (9) in Block Thirteen (13) of the Original Plat of the Village now City, of Browns Valley according to the plat thereof on file and of record in the office of the County Recorder in and for said County and State;

-and-

Lot Thirteen (13) in Block Twenty (20) of Platted Addition to the Village (now City) of Browns Valley, according to the plat thereof on file and of record in the office of the County Recorder in and for said County and State;

together with all hereditaments and appurtenances belonging thereto subject to the following exceptions: the lien of all unpaid special assessments and interest thereon; covenants, conditions, restrictions, dedications and easements of record, if any.

The Sellers certify that the Sellers do not know of any wells on the described real property.

[illegible]

[illegible]

Browns Valley a municipal corporation under the laws of the State of Minnesota, Grantor, to Valley Telephone Company, Grantee, a corporation under the laws of the State of Minnesota; said deed incorrectly described the real property conveyed as:

Lots Seven (7), Eight (8) and Nine (9) in Block One (1) of the Original Plat of the Village (now City) of Browns Valley, according to the plat thereof on file and of record in the office of the County Recorder in and for said County and State;

-and-

Lot Thirteen (13) in Block Twenty (20) of Plated Addition to the Village (now City) of Browns Valley, according to the plat thereof on file and of record in the office of the County Recorder in and for said County and State.

The correct description for the property conveyed is as first described above.

City of Browns Valley

Kevin Buller

by Kevin Buller, Mayor

Affix Deed Tax Stamp Here

Linda Schwagel

By Linda Schwagel, City Clerk

STATE OF MINNESOTA)
) ss.
COUNTY OF TRAVERSE)

The foregoing instrument was acknowledged before me this 14th day of January 1998, by Kevin Buller and Linda Schwagel, the Mayor and City Clerk of the City of Browns Valley, a municipal corporation under the laws of the State of Minnesota, on behalf of the City Council.

NOTARIAL STAMP OR SEAL
OR OTHER TITLE OR RANK

MARY E HANSEN
NOTARY PUBLIC - MINNESOTA
TRAVERSE COUNTY
MY COMM. EXPIRES 1-31-2000

Mary E Hansen

Signature of Person
Taking Acknowledgement

DISCLOSURE SCHEDULES
VALLEY TELEPHONE COMPANY

SCHEDULE 3.19

Bank Accounts

List of Bank Accounts, Security Accounts, and Safety Deposit Boxes, With the Names of All Persons Authorized to Draw Thereon or Have Access thereto

Type of Account	Financial Institution	Persons Authorized to Draw Thereon/Have Access Thereto
Checking Account	Union State Bank PO Box F Browns Valley, MN 56219	William Chase Marlys Randall George M. Revering Joyce Revering Max Tite
Savings Account	Union State Bank PO Box F Browns Valley, MN 56219	William Chase Marlys Randall George M. Revering Joyce Revering Max Tite

DISCLOSURE SCHEDULES
VALLEY TELEPHONE COMPANY

SCHEDULE 3.21

Licenses and Permits

All Material Licenses, Certificates, Franchises and Permits In Full Force and Effect

(i) Certificate of Incorporation issued by the State of Minnesota, dated November 4, 1953; see Schedule 3.14 (iii)

(ii) Minnesota Public Utilities Commission authorized Valley as a telephone service provider in Browns Valley, MN area; see Schedule 3.4 (i)

(iii) South Dakota Public Utilities Commission ("PUC") authorized Valley as a telephone service provider in West Browns Valley, SD area. Valley has the authority to do business in South Dakota due to its registration with the South Dakota PUC, but does not file an annual registration with the South Dakota Secretary of State's office, and has not filed qualification documents therewith; see Schedule 3.4 (i) and 3.1(i)

(iv) Minnesota Department of Revenue State and City Sales Tax License

(v) South Dakota Sales and Use Tax License

DISCLOSURE SCHEDULES
VALLEY TELEPHONE COMPANY

SCHEDULE 3.22

Other Material Contracts and Obligations

List of Contracts Valley is Bound To, Except For Those Operating Contracts Listed on Schedule 3.16

All Material Contracts and obligations of Valley are set forth on Schedule 3.16.

DISCLOSURE SCHEDULES
VALLEY TELEPHONE COMPANY

SCHEDULE 3.23

Subsidiaries

List of Organizations in Which Valley Owns Any Shares of Stock or Other Securities or Equity Interests, Directly or Indirectly

(i) Member Control Agreement of Northwest Minnesota Special Access, LLC, dated December 19, 1996, pursuant to Minnesota Statutes § 322B.37, whereby investment to date is $61,540.47; see Schedule 3.16 (xxix)

(ii) Investment in West Central Transport Group, LLC is currently $64,818.00

(iii) Owner of 22,851 shares in Independent Information Services Corporation Stock at a book value of $22,851.00 and a $5,000 (face value) Promissory Note; see Schedule 3.16 (xxx)

(iv) Owner of 2 common shares of Browns Valley Community Elevator Inc. at a book value of $2,000.00

(v) Investment of $129,175.00 in Minnesota Equal Access Network Services, Inc.

DISCLOSURE SCHEDULES
VALLEY TELEPHONE COMPANY

SCHEDULE 3.24

Insurance

List of Valley's Insurance Which is in Full Force and Effect and Covers Real and Personal Property and Assets, Whether Owned or Leased

Valley is insured under the following insurance policies. RGI Group. Inc.. as the holding company parent of Valley is the named insured party; see Schedule 3.26 (vii)

Policy #	Insurance Carrier	Description	Dates of Coverage
(i) GL42-10000014	Guarantee Life	Travel Accident Insurance; Business Only	7/8/98-7/7/99
(ii) 2RU0159092	National Farmers Union Standard Insurance Company	(i) Property and Related Coverages; (ii) Liability and Related Coverages; (iii) Auto Coverages and (iv) Crime Coverages	1/1/98-1/1/99
(iii) 2CB0227242	National Farmers Union Standard Insurance Company	Umbrella Policy	1/1/98-1/1/99
(iv) 2WC0270386	National Farmers Union Standard Insurance Company	Workers Compensation	1/1/98-1/1/99

DISCLOSURE SCHEDULES
VALLEY TELEPHONE COMPANY

SCHEDULE 3.26

Relationship with Related Persons

List of Shareholders, Directors, Officers and Employees of Valley and Its Related Persons (i) With Whom Have Interest in any of the Properties or Assets of Valley, Has Any Business Dealings or Material Financial Interest in Any Transaction With Valley, and Engaged in Competition With Valley, (ii) Is a Party to any Contract With, or Has Any Claim or Right Against Valley, and (iii) With Whom Money Is Owed by Valley for Bona Fide Debts.

(i) Oral Agreement for management services by and between Valley and RGI Group, Inc., and which provides as follows: In exchange for management services provided to Valley by RGI Group, Inc., Valley has agreed to pay RGI Group, Inc. an annualized management fee of $560,000 for the calender year 1998; see Schedule 3.16 (xxxii)

(ii) Promissory Note payable to Valley by C. Max and Susan Tite for $100,000, dated May 8, 1998 and evidence of UCC-1 filing; see Schedule 3.13 (ii) and 3.16 (xxxi)

(iii) Letter confirming the Oral Agreement between Midwest Data Services and George Revering, Don Roiland, and Dave Froegel, representing Valley, regarding the charges for polling and converting messages, dated August 5, 1998, see Schedule 3.16 (xxxiii)

(iv) Valley Telephone Company's employees are all employees of RGI, with no written management agreement between the two. Valley Telephone Company reimbursed Revering Group, Inc. in the form of management fees in the amount of Valley Telephone company's employee payroll multiplied by 200%. This method of reimbursement was used through 1995. Since then, varying amounts have been charged:

- 1996 - $360,000
- 1997 - $460,000
- 1998 - $560,000 (annualized rates)

(v) Proxy granting to Valley the right to vote RGI Group, Inc.'s stock in Revering Finance Corporation, dated March 25, 1993; see Schedule 3.14(ii) and 3.16(iii)

(vi) State and Federal taxes are allocated to Valley Telephone Company and Revering Finance Corporation. Each company reimburses RGI for their share of the expense; see Schedule 3.9

(vii) Insurance payments are allocated between RGI, Inc., Valley and Revering Finance Corporation. see Schedule 3.24

(viii) All assets of Valley pledged to St. Paul Bank for Cooperatives ("St. Paul") in accordance to that certain Loan Agreement by and between St. Paul and Revering Finance Corporation, dated April 5, 1996; see Schedule 3.4 (ii) and 3.5 (i)

(ix) Limited Warranty conveyed by Revering Group, Inc., dated December 24, 1997 for property located at 201 West Broadway, Browns Valley, Minnesota; see Schedule 3.17 (i)

DISCLOSURE SCHEDULES
VALLEY TELEPHONE COMPANY

SCHEDULE 3.27

Hazardous Materials

List of Generated, Transported, Stored, Handled, Disposed of or Contracted for Disposal of Hazardous Materials and Employees Exposed to Such Hazardous Materials. Valley Has Not Been Listed as a Potentially Responsible Party Under CERCLA or Has Knowledge To Any Circumstances Giving Rise to Such Listing

None

DISCLOSURE SCHEDULES
VALLEY TELEPHONE COMPANY

SCHEDULE 3.28

Other Environmental Matters

List of (i) Applicable Laws Valley Has Not Complied To, (ii) of All Permits, Consents, Approvals, or Licenses Not Acquired, (iii) Hazardous Materials Utilized, (iv) Underground and/or Ground Storage Tanks, (v) Real Estate Used as Landfill, Dump, or Handling Area of Hazardous Materials, (vi) Investigations and Administrative Proceedings, Including Notices Thereof of Valley In Violation of Any Environmental Laws, Claims or Liabilities, (vii) Any Real Estate Where Asbestos is Constructed, Placed, Deposited, Stored, or Disposed, (viii) Any Real Estate Where Polychlorinated Biphenyls or Transformers, Capacitors, Ballasts or Other Equipment Which Contain Dielectric Fluid Containing PCB's is Constructed, Placed, Deposited, Stored or Disposed, and (ix) Any Real Estate Where Any Insulating Material Containing Urea Formaldehyde is Constructed, Placed, Deposited, Stored or Disposed

None

DISCLOSURE SCHEDULES
VALLEY TELEPHONE COMPANY

SCHEDULE 3.29

Debt Instrument

List of Correct and Complete List of Parties and Outstanding Indebtedness and Any Required Material Obligations Not Performed

None

DISCLOSURE SCHEDULES
VALLEY TELEPHONE COMPANY

SCHEDULE 5.1(f)

Capital Expenditures

List of all Capital Expenditures for Valley

None

EXHIBIT C

LIST OF SERVICES AND RATES

Class of Service	Monthly Rates
Business:	
One Party - Access	$19.23
PBX Trunk – Access	$21.23
Key System Line – Access	$21.23
Basic Coin Telephone Service	$15.23
Residence:	
One Party – Access	$12.23
Class Services:	
Caller ID (Calling Number Delivery)	$4.00
Automatic Recall	$1.50
Automatic Callback	$1.50
Distinctive Ringing/Call Waiting	$1.50
Selective Call Acceptance	$1.50
Selective Call Forwarding	$1.50
Selective Call Rejection	$1.50
Call Number Deliver Blocking	N/C
Customer Originated Trace	$1.00 successful trace
Anonymous Call Rejection	N/C for CDN subscribers

RECEIVED
SOUTH DAKOTA
UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE SALE OF	)	TC98-
THE STOCK OF VALLEY TELEPHONE	)	
COMPANY STOCK TO PARK REGION	)	
MUTUAL TELEPHONE COMPANY	)	

REQUEST FOR CONFIDENTIAL TREATMENT OF INFORMATION

Pursuant to ARSD 20:10:01:41, Park Region Mutual Telephone Company ("Park Region"), through its undersigned attorney, Michael J. Bradley, request that the documents enclosed in a sealed envelope and appropriately marked, be afforded confidential treatment as provided for in ARSD 40:10:01:40 and 40:10:01:42 through 44. In support of this request, Park Region states as follows:

1. The first document in the attached sealed envelope are pages 8, 9, 21 and 33 of the Stock Purchase Agreement between Park Region Mutual Telephone Company and Revering Group, Inc., the current stockholders of Valley Telephone Company, Inc. These pages contain the agreed upon purchase price and other financial information for certain shares of the stock of Valley Telephone Company.

2. The second document in the attached sealed envelope is the Projected Financial Statements for the Twelve Years Ending December 31, 2010 for Park Region Mutual Telephone Company.

3. The name, address and telephone number of the person to be contacted regarding this request is:

Michael J. Bradley
MOSS & BARNETT
A Professional Association
4800 Norwest Center
90 South Seventh Street
Minneapolis, Minnesota 55402
Telephone: 612-347-0337

4. A trade secret is broadly defined in SDCL § 37-29-1(4) as information that derives economic value from not being generally known to persons who can obtain economic value from its disclosure.

5. The length of time for which confidentiality is being requested for the Letter of Intent containing the agreed on purchase price for the stock is ten years.

6. If the purchase price becomes public, possible future buyers would gain important knowledge regarding Park Region's estimate of the value of Valley Telephone Company. Moreover, a known prior purchase price for one company may be treated by sellers as a floor price, which could escalate prices for future acquisitions. Such consequences meet the broad definition of trade secret found in SDCL § 37-29-1(4). The South Dakota Public Utilities Commission ("Commission") has adopted ARSD 20:10:01:39, which mandates confidential treatment for trade secrets. Such treatment is warranted here.

7. Pursuant to ARSD 20:10:01:39, the Commission may treat information as confidential. The purchase price was treated as confidential in each of the dockets authorizing the sale of US WEST Communications, Inc. exchanges. See e.g., Docket TC94-122 and Docket TC96-125; the sale of the Kadoka Telephone Company stock, Docket TC96-167; the sale of the Jefferson Telephone Company stock, Docket TC97-159; and the sale of the Kennebec Telephone Company, Inc. stock, Docket TC98-114. Commission Rule,

ARSD 20:10:01:43, requires confidential treatment of information when such information has been treated as confidential in a prior ruling.

8. The public interest is not harmed by granting confidential treatment because the purchase price has no effect on the rates charged. The Commission prevents a company from charging rates based on the acquisition price. See, e.g., Decision and Order Regarding the Sale of the Clearfield Exchange, dated October 24, 1996, Docket TC96-125. Park Region agrees to be bound by this requirement and, therefore, the purchase price is not important to the public.

9. Telephone companies have generally treated the purchase price of telephone companies, whether an asset transfer or a stock acquisition, as confidential, taking efforts to prevent disclosure. Park Region has taken this precaution because the information could adversely affect the purchase price of future sales and acquisitions by them. Finally, the purchase price paid for the stock of Valley Telephone Company, is not a matter of public interest; it is strictly confidential and private information.

10. The length of time for which confidentiality is being requested for the Projected Financial Statements is ten years.

11. Telephone companies have always treated the type of information contained on the Projected Financial Statements as confidential, taking efforts to prevent its disclosure. They have taken this precaution because the information includes the company's revenues by class of service, expenses and net income. This information would have economic value to potential competitors. The information contained in the pro formas is not a matter of public interest; it is strictly confidential and private information.

15. Accordingly, Park Region requests that confidential protection be afforded to the attached documents.

Dated: September 2, 1998

Respectfully submitted,

By Michael J. Bradley

Michael J. Bradley

MOSS & BARNETT
A Professional Association
4800 Norwest Center
90 South Seventh Street
Minneapolis, MN 55402-4129
Telephone: 612-347-0337

Attorneys on Behalf of Park Region Mutual Telephone Company

Certificate of Service

I hereby certify that an original and eleven copies of the above and foregoing Joint Application, Prefiled Direct Testimony of Paul Hoff, and the Request for Confidential Treatment of Information on behalf of Park Region Mutual Telephone Company were sent via Federal Express on the 2nd day of September, 1998, to the following:

William Bullard
Executive Director
South Dakota Public Utilities Commission
State of South Dakota
500 East Capitol
Pierre, South Dakota 57501

and a true and correct copy was sent by Federal Express to the following:

Rolayne Wiest
South Dakota Public Utilities Commission
Capitol Building
500 East Capitol
Pierre, South Dakota 57501

and a true and correct copy, without attachments, by United States Mail, postage prepaid, to the persons on the attached list.

Jean J. Hunsinger

Jean J. Hunsinger

Paul Hoff
Park Region Mutual Telephone Company
100 Main Street
P O Box 277
Underwood, MN 56586

Mark J. Ayotte
Briggs & Morgan
2200 First National Bank Building
332 Minnesota Street
St. Paul, MN 55101

RECEIVED
S[illegible] 1998
S[illegible] PUBLIC
UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE SALE	)	TC98-
OF THE STOCK OF VALLEY TELEPHONE	)	
COMPANY TO PARK REGION	)	
MUTUAL TELEPHONE COMPANY	)	

PREFILED DIRECT TESTIMONY OF

PAUL HOFF

EXHIBIT
2
PENGAD-Bayonne, N. J.

PREFILED DIRECT TESTIMONY OF PAUL HOFF

Q. Please state your name and business address.

A. Paul Hoff, 100 Main Street, PO Box 277, Underwood, Minnesota 56586.

Q. By whom are you employed and what is your position?

A. I am General Manager and Chief Executive Officer of Park Region Mutual Telephone Company ("Park Region").

Q. What is your professional background?

A. I have worked in the telecommunications industry for over thirty (30) years. I worked as a manager with Northwestern Bell Telephone Company for ten (10) years, and have worked with Park Region for the past twenty (20) years as its general manager and chief executive officer. I am currently the Chairman/CEO of the National Exchange Carrier Association (NECA), the Chairman of the Board of Directors of Minnesota Equal Access Network Services, Inc. (MEANS), and I am the past President and a current member of the Board of Directors of the Minnesota Telephone Association (MTA). I am also currently serving on the Board of Directors for Wireless North, Hector Communications Corporation, Midwest Information Systems (a subsidiary of Otter Tail Power Company), and Midwest Switch, LLC. A more detailed resume of my experience is attached as Attachment A.

Q. What is the purpose of your testimony?

A. To provide the factual information needed by the South Dakota Public Utilities Commission ("Commission"), pursuant to SDCL 49-31-59, to evaluate the request for Commission approval of Park Region's purchase of the stock of Valley Telephone Company ("Valley").

Q. Please describe Park Region.

A. Park Region was formed as a Minnesota cooperative in 1906 to offer telephone service to Dalton, Minnesota, and the surrounding areas. Since that time, Park Region has grown into an entity worth approximately $20,000,000.00, which employs more than thirty (30) people. It is an independent telephone company serving six (6) exchanges with approximately 4,100 access lines in Otter Tail County, Minnesota.

Q. Please describe Valley.

A. Valley is a Minnesota corporation formed in 1953. Its sole shareholder is Revering Group, Inc. ("RGI"), a Minnesota corporation. Valley is an independent telephone company with one central office located in Browns Valley, Minnesota, serving two exchanges (West Browns Valley, South Dakota, and Browns Valley Minnesota). The office serves approximately 815 access lines, of which 179 are located in South Dakota. The two individuals who have provided system and customer support to Valley for years are employees of RGI. Both of these people have agreed to accept employment with Park Region after the sale and to continue performing the same work for Valley. The services will be provided to Valley under a service agreement.

THE IMPACT OF THE SALE ON RATES

Q. Will the sale result in a rate increase for customers of Valley?

A. No. The sale will not cause local rates to increase, and no rate design changes are contemplated. In addition, Park Region agrees not to increase local rates or change rate design, except in response to a Commission Order or to reflect a change in tax rates on a flow-through basis, for a period of 18 months from the date of the closing. Please see Attachment B for the rates charged for business and residential lines.

Q. Will switched access rates be affected by the sale?

A. Valley's switched access rates will not change as a result of the sale. The central office and all transport facilities serving Valley are located in Minnesota and use Minnesota Public Utilities Commission approved intrastate switched access rates. The current intrastate switching rates are $0.0264 for originating calls and $0.0413 for terminating calls, with a transport rate of $0.000423 per minute per mile. As part of the switching changes and the installation of a redundant fiber interconnection to the toll network, there will be a change in the toll transport point from St. Cloud to Moorhead (Valley provides centralized equal access using the MEANS network). Because Valley charges a distance sensitive transport rate, this will result in an increase in the transportation charges to those interexchange carriers electing to purchase transport service from Valley.

Q. Does Park Region agree to a condition on the approval of the sale that it not recover any of the acquisition adjustment in regulated interstate or intrastate rates?

A. Yes. Park Region agrees that it will not recover any portion of the acquisition adjustment through its regulated interstate or intrastate rates, through local rates, or through federal or state universal service funds.

THE IMPACT OF THE SALE ON SERVICES

Q. What services will be offered after this sale is approved?

A. All services currently provided by Valley will continue to be available after the sale. Valley offers many state-of-the art services, including CLASS services. Please see Attachment B for a list and description of the services offered by Valley. A switch upgrade, scheduled to occur within six months of the sale, will allow a variety of new services, including ISDN, Centrex, voicemail, fire/burglar alarm, and lifeline monitoring.

Q. Will Valley offer distance learning and tele-medicine services?

A. Yes. Valley currently does not provide these services. However, Park Region has substantial experience in distance learning from providing interactive educational television services to twenty-three kindergarten through 12th grade schools and colleges in the west central Minnesota. Park Region and its technicians are the primary contractors for most of the interactive systems in that area. The only school within the Valley exchange is an elementary school (located in Minnesota), and Park Region will work with that school to provide such services upon request. There is currently a medical clinic (located in Minnesota), and Park Region would certainly work with that existing clinic or any new clinic or hospital interested in opening facilities within the Valley service area to meet any distance-medicine needs.

Q. Will emergency services be affected by the sale?

A. No. We will continue existing 911 services and will work with the county whenever its needs change. We will provide the county with accurate data for its databases.

Q. Does Valley offer extended area service ("EAS")?

A. No. There is, of course, free calling between the South Dakota and Minnesota portions of the exchange.

Q. Are there any pending petitions for EAS?

A. No.

Q. Do customers of Valley have local access to the internet using local calling?

A. Yes. The customers currently have local access to an independent internet service provider. In addition, Park Region will market the services of its internet service to Valley customers, thus providing them with a choice for these services.

Q. What will be the treatment of rates for touch tone service?

A. Touch tone service is currently included in the monthly line charge, and we will continue to do this.

FACILITIES

Q. Please describe the current switching and other facilities and any additions or upgrades currently contemplated?

A. Valley uses a remote that homes on a host Stromberg switch in Chokio, Minnesota, and a portion of that transportation route between Valley and Chokio relies on a single dedicated fiber route. Within six months of the sale, we plan to use an EWSD Siemen "Super Switch" host switch out of Fergus Falls, Minnesota, interconnected by a fiber ring, which will provide for redundancy. The new switching arrangement will provide for state-of-the-art features such as ISDN, voice mail and Centrex service. The toll transfer point for Valley will be changed from St. Cloud to Moorhead, allowing use of a sophisticated self-healing fiber network, which is not available on the existing route.

A one-half million dollar outside plant upgrade will also be deployed, adding sixteen miles of copper cable and seven miles of fiber cable to Valley's local distribution. Three fiber hub sites will be installed, which will expand the availability of broad-band capability to Valley customers.

Q. Is Valley in compliance with SDCL 49-31-62 through 65 and does it expect to be in compliance with the associated upcoming deadlines stated in those statutes?

A. Within six months of the sale, the change over to the Siemen's host switch will occur making the provision of ISDN possible and bringing us into compliance. A price for this service has not been determined and will be dependent on customer demand for the service.

Park Region also has members of its staff that work on economic development projects. For example, in 1998, Park Region worked with a manufacturing company to relocate and obtain financing through the federal Rural Utilities Service (RUS) to support its relocation and expansion efforts in the Park Region exchange. Park Region is also in the process of helping the City of Underwood, Minnesota, with a "business incubator project" that will be the initiating project for the Park Region Telephone Economic Development Revolving Loan Fund. Under this project, the City provides low rental rates to new businesses that want to establish a temporary office in the city before committing to a long-term lease. As a further example of these activities, Park Region was the first midwestern telephone company to contract with Edward Blank Associates telemarketing, which also has a telemarketing center in Browns Valley. Edward Blank Associates has already begun discussions with Park Region on how to better serve both telemarketing centers.

UNIVERSAL SERVICE FUND IMPACT

Q. What impact, if any, will the stock sale have on the interstate universal service fund?

A. Because this is stock sale, it would have no impact.

TAX CONSEQUENCES

Q. What are the state tax consequences of this stock sale?

A. None. Valley is currently an independent telephone company subject to gross receipts tax and will continue to operate as an independent telephone company after the sale. In addition, existing services will be continued using the existing rates. Therefore, the gross receipts tax revenues to the school district are not expected to change. To the extent Valley's new service offerings result in greater revenues, the tax implications will be positive for the school district.

MANAGERIAL QUALIFICATIONS

Q. How will the stock sale change the management of Valley.

A. I will become the general manager of Valley.

FINANCIAL IMPACT OF THE SALE ON OPERATIONS

Q. Has a pro forma been prepared showing the projected revenues and expenses related to the operation of Valley after the sale?

A. Yes. A proprietary exhibit containing a pro forma net income statement, a cash flow statement, and a balance sheet for the years 1999 through 2010 have been prepared and filed along with this testimony.

Q. How will this acquisition be financed?

A. Park Region is in negotiations with the St. Paul Bank for Cooperatives for a loan to finance approximately seventy-five to eighty percent of the purchase price. The balance of the purchase price will be funded through cash.

FCC APPROVAL IS NOT REQUIRED

Q. Is FCC approval of this stock sale required?

A. No. FCC approval is not required.

CONSISTENCY WITH SDCL 49-31-60 THROUGH 49-31-68

Q. SDCL 49-31-60 through 49-31-68 seek to ensure "that all citizens of South Dakota realize the advantages of the forth coming information age, including economic development, educational opportunities, a heightened level of medical care, and better more efficient services from all levels of government." Is the sale of Valley stock consistent with those goals?

A. Yes. As I explained, Park Region has been and will remain committed to working with the community to promote economic development. This commitment will carry over to Valley. Valley will provide the services required by its customers, including ISDN, CLASS and voice mail, and a substantial outside plant upgrade will be completed to assure that capability. This will allow the community served by Valley to compete for new businesses and to retain existing businesses. We are installing redundant fiber transport facilities for the interconnection with the host switch and for toll purposes, thus reducing the risk of a fiber cut interfering with either local or long-distance services. We will also work with the local school administrator and any health organizations to meet all of their communications needs, including distance learning and tele-medicine. All of these features are the types of activities and infrastructure improvements encouraged by the referenced statutes.

CONCLUSION

Q. In your opinion, is this stock purchase in the public interest?

A. Yes. Park Region has a long-standing and demonstrated commitment to the local community. We will continue to provide the same quality services that Valley currently provides, and new state-of-the-art services will become available as a result of rehoming to Park Region's host switch and as customer needs dictate. Service questions will continue to be handled locally or through a toll free number to Park Region. Valley will also be a strong participant in local economic development projects, distance learning,

1 tele-medicine, and whatever other services are needed to make strong and viable

2 communities.

3 Q. Does this conclude your testimony?

4 A. Yes.

5

6

7

Paul Hoff

8 SWORN TO BEFORE ME this

9 17 day of August, 1998

10

11 NOTARY PUBLIC

MARILYN M. NEWSTRUM
NOTARY PUBLIC - MINNESOTA
HENNEPIN COUNTY
My Commission Expires Jan. 31, 2000

ATTACHMENT A

Resume of Paul Hoff
(As of January 1, 1998)

Previous Work Experience

- 10 Years with Northwestern Bell, Manager
- 20 Years with Park Region Telephone, General Manager/Chief Executive Officer

Industry Involvement

- National Exchange Carriers Association (NECA)
  - Chairman/CEO 1998
  - Board of Directors (Seventh Annual Term)
  - Chairman Average Schedule Board Committee
  - Past Chair Traffic Sensitive Committee
  - Common Line Committee
  - Past Chair Average Schedule Task Force
  - Average Schedule Technical Sub-Committee
  - Pool Incentive Sub-Committee
  - Communications Committee
  - Chair Election Committee
  - Compensation Committee
  - Presenter NECA Access Conference, Washington, DC 12/95
- Independent NECA Service
  - Board of Directors
  - Billing and Collections Committee
- North Central Utilities (Otter tail Power)
  - Board of Directors
- Hector Communications Corporation
  - Board of Directors
  - Compensation Committee
  - Audit Committee
- Minnesota Telephone Association (MTA)
  - President 1994-1996
  - Board of Directors (four terms)
  - Contracts & Tariffs Committee
  - Fall Conference Committee Chair
  - Educational Committee Chair
  - Legislative Committee
  - Insurance Committee
  - Executive Committee
  - Vice President
  - Public Relations Committee
  - Stray Voltage Sub-Committee
  - Video Conference Sub-Committee
  - Presenter State Telecommunication Conference, St. Cloud, MN

Testified before the MN House Regulated Industries Committee
Testified before the MN Senate Jobs Energy Committee
Presenter State Telecommunication Conference, Detroit Lakes, MN

- Association of Minnesota Utilities (AMTU)
  - Board of Directors (two terms)
  - Toll Committee
  - By-Law Committee Chair
- Minnesota Equal Access Network Service (MEANS)
  - Board of Directors (Charter Member)
  - Chairman of the Board
  - Former Board Secretary
  - Executive Committee
  - Testified before the Minnesota Public Utilities Commission
  - Network Committee Chair
  - PCS Committee
- Polaris Telcom
  - Board of Directors (Charter Member)
- Midwest Minnesota DBS
  - Board of Directors (Charter Member)
- Minnesota Governor Information Policy Working Group
- Telecommunications Access for Communicatively Impaired Persons (TACIP) State of Minnesota
  - Board of Directors (Charter Member)
  - Executive Committee
  - Message Relay Committee
  - Equipment Distribution Committee
- Fargo-Grand Forks Cellular
  - Partnership Board Member (Charter Member)
  - Negotiations Committee
- Cellular Five
  - Board of Directors (Secretary) (Charter Member)
  - Management Committee
- National Telephone Cooperative Association (NTCA)
  - Industry Committee (Presidential Appointment)
  - Television Committee Chair
  - Chairman Industry Average Schedule Task Group
  - Strategic Planning Committee
- Lake Region Community Partners Inc.
  - Charter Board Member
  - Vice President
- Communications Supply Services Association (CSSA)
  - Board of Directors (Former Treasurer)
- Northwest Minnesota Paging Incorporated (Tel-page)
  - Board Member (Secretary) (Charter Member)
- Independent Information Services Corporation (IISC)
  - Board of Directors (former Charter Member)

- West Central Transport Group
  - President
  - Charter Board Member
- US WEST Exchange Acquisition Negotiator Team
- Minnesota Independent Coalition (MIC)
  - Board Member
  - Access Charge Negotiator
- Northwest Minnesota Special Access LLC
  - Charter Board Chairman
- Midwest Switch
  - Organizer & Charter Board Member
- Otter Tail Telcom
  - Organizer & Charter Board Member

<u>Community Involvement</u>

- Lions Club (Former President-Carrington, Leeds, Underwood)
- School Board (Former Member)
- School Labor Negotiations Committee
- Barbershop Chorus (Former Member)
- Elks (Former Band Member)
- Chamber of Commerce (Former President)
- Jaycee (Former President-Grafton, Leeds, Fargo, Carrington, Fergus Falls, Underwood)
- Festival Committee (Former Chair-Underwood, Carrington, Leeds)
- Eagles Member
- North Dakota Potato Queen (Former Co-Chair)
- Fire Department (Former Assistant Chief)
- Ambulance Attendant (EMT Rated-Leeds, Carrington)
- Masonic Lodge (Former Officer)
- Park Board (Former Board Member)
- Kiwanis (Former Member)
- County 911 (Charter Board Member)
- Underwood Economic Development LLC President (Charter Member)
- Community Energy Corporation (Charter Board Secretary)

ATTACHMENT B

LIST OF SERVICES AND RATES

Class of Service	Monthly Rates
Business:	
One Party - Access	$19.23
PBX Trunk – Access	$21.25
Key System Line – Access	$21.25
Basic Coin Telephone Service	$15.23
Residence:	
One Party – Access	$12.23
Class Services:	
Caller ID (Calling Number Delivery)	$4.00
Automatic Recall	$1.50
Automatic Callback	$1.50
Distinctive Ringing/Call Waiting	$1.50
Selective Call Acceptance	$1.50
Selective Call Forwarding	$1.50
Selective Call Rejection	$1.50
Call Number Deliver Blocking	N/C
Customer Originated Trace	$1.00/successful trace
Anonymous Call Rejection	N/C for CDN subscribers

"Tax" or *"Taxes"* - means any and all net income, gross income, gross revenue, gross receipts, net receipts, ad valorem, franchise, profits, transfer, sales, use, social security, employment, unemployment, disability, license, withholding, payroll, privilege, excise, value-added, severance, stamp, occupation, property, customs, duties, real estate and/or other taxes, assessments, levies, fees or charges of any kind whatsoever imposed by any Governmental Body, together with any interest or penalty relating thereto.

"Tax Holdback" - has the meaning set forth in Section 2.2(a) of this Agreement.

"Tax Payment Account" - has the meaning set forth in Section 2.6(b) of this Agreement.

"Tax Return" - means any return, declaration, report, claim for refund or information return or statement relating to Taxes, including without limitation any schedule or attachment thereto, any amendment thereof, and any estimated report or statement.

"Threatened" - a claim, Proceeding, dispute, action, or other matter will be deemed to have been "Threatened" if any demand or statement has been made in writing, or any notice has been given in writing, that would lead a reasonably prudent Person to conclude that such a claim, Proceeding, dispute, action, or other matter will, with substantial certainty, be asserted, commenced, taken or otherwise pursued in the future; provided, however that the foregoing shall not include customer billing disputes in the Ordinary Course of Business.

"Transaction Tax" - has the meaning set forth in Section 2.6(b) of this Agreement.

"Valley" - has the meaning set forth in the recitals to this Agreement.

ARTICLE 2. PURCHASE OF STOCK: PURCHASE PRICE

2.1 Purchase and Sale. On the terms and conditions subject to the conditions in this Agreement, the Seller shall sell to the Purchaser and the Purchaser shall purchase from the Seller all of the issued and outstanding shares of capital stock of Valley (collectively, the "Stock").

2.2 Purchase Price.

(a) The purchase price for the Stock (the "Purchase Price") shall be the aggregate of Three Million One Hundred Forty One Thousand Nine Hundred Six Dollars ($3,141,906), and the adjustment specified in Section 2.2(b). The Purchase Price of $3,141,906, less the estimated amount of the adjustment, if any, computed in accordance with the provisions of Section 2.2(b) hereof, less $225,000 (the "Indemnification Holdback"), and less $750,000 (the "Tax Holdback"), shall be paid by Purchaser to Seller on the Date of Closing in immediately available funds by wire transfer or other similar method to an account or accounts specified by Seller.

(b) Balance Sheet Adjustment. That $3,141,906 of the Purchase Price shall be decreased by the amount, if any, by which (x) is greater than (y): (x) being the amount, if any, by which shareholder's equity on the finally determined Closing Balance Sheet is

PROPRIETARY

less than $1,195,373.00 and (y) being the amount, if any, by which current assets minus current liabilities on the finally-determined Closing Balance Sheet is greater than $72,250.00 (the "Balance Sheet Adjustment"). For purposes of estimating or finally determining the Balance Sheet Adjustment, if (i) the amount of the calculated shareholder's equity equals or exceeds $1,195,373, the amount used in the formula to represent (x) shall be $0, and (ii) the amount of the current assets minus current liabilities does not exceed $72,250, the amount used in the formula to represent (y) shall be $0. The estimated amount of the Balance Sheet Adjustment shall be jointly agreed upon between Seller and Purchaser in good faith prior to the Closing, and the estimated Balance Sheet Adjustment so determined shall be withheld from the amount payable to Seller at Closing, and reconciled after the Date of Closing in accordance with Section 2.8 hereof.

2.3 **Closing.** The Closing of the transaction described herein (the "Closing") will take place at 10:00 a.m. on the date to be specified by the parties, unless this Agreement is terminated in accordance with Article 10 hereof, which shall be no later than the last day of the month which is at least five business days after the latest to occur of the conditions set forth in Articles 6, 7 and 8 shall have been fulfilled or waived in accordance with this Agreement (the "Date of Closing"), at the offices of Moss & Barnett, 4800 Norwest Center, Minneapolis, Minnesota, unless another date, time or place is agreed to in writing by the parties hereto.

2.4 **Documents to be Delivered by Seller.** At the Closing, Seller shall execute where necessary or appropriate, and deliver to Purchaser each and all of the following:

(a) A certificate in the form of Exhibit A hereto, signed by a duly authorized officer of Seller and dated as of the Date of Closing, to the effect that the representations and warranties made by Seller in this Agreement (as modified by the Schedules and any Supplement) and in any document, instrument and/or agreement to be executed and/or delivered by Seller pursuant to this Agreement are true and correct in all material respects at and as of the Closing with the same force and effect as those such representations and warranties had been made on or given at and as of the Closing and Seller has performed and complied with all of its covenants, agreements and obligations under this Agreement which are to be performed and complied with by Seller at or prior to Closing;

(b) The certificates evidencing the Stock endorsed in blank or accompanied by assignments separate from certificate duly endorsed in blank;

(c) A copy certified by the Secretary of the Seller of the duly adopted resolutions of the Board of Directors of Seller approving this Agreement and authorizing the execution and delivery of this Agreement, including the documents, instruments and agreements to be executed and/or delivered by Seller pursuant hereto, and the consummation of the transactions contemplated hereby and thereby;

(d) The minute book and stock book of Valley;

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A NEW WHOLLY OWNED SUBSIDIARY OF THE PARK REGION MUTUAL TELEPHONE COMPANY

PROJECTED FINANCIAL STATEMENTS

FOR THE TWELVE YEARS ENDING DECEMBER 31, 2010

PROPRIETARY

OLSEN THIELEN & CO., LTD.
Certified Public Accountants & Consultants

A NEW WHOLLY OWNED SUBSIDIARY OF
THE PARK REGION MUTUAL TELEPHONE COMPANY

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PROPRIETARY

OLSEN THIELEN & CO., LTD.

Certified Public Accountants & Consultants

Board of Directors
The Park Region Mutual Telephone Company
Underwood, Minnesota

We have compiled the accompanying projected balance sheet and statement of income and cash flows of a new wholly owned subsidiary of The Park Region Mutual Telephone Company (Parent) as of December 31, 1999 through 2010 and for the twelve years then ending, in accordance with standards established by the American Institute of Certified Public Accountants.

The accompanying projection and this report were prepared for the purpose of negotiating financing for the purchase of Valley Telephone Company.

A compilation is limited to presenting in the form of a projection information that is the representation of management and does not include evaluation of the support for the assumptions underlying the projection. We have not examined the projection and, accordingly, do not express an opinion or any other form of assurance on the accompanying statements or assumptions. Furthermore, even if the loan is granted and the funds used to purchase and operate the Company, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

July 7, 1998

Olsen Thielen + Co., Ltd.

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A New Wholly Owned Subsidiary of The Park Region Mutual Telephone Company
Projected Balance Sheet under the Hypothetical Assumptions in Note 1

	December 31,											
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
ASSETS												
Current Assets												
Cash and Cash Equivalents	$365,313	$547,255	$547,178	$693,305	$773,617	$877,810	$993,625	$1,115,537	$1,241,618	$1,372,224	$1,498,298	$1,627,742
Trade Receivables	2,966	2,989	3,020	3,051	3,086	3,118	3,151	3,184	3,218	3,248	3,281	3,311
Other Accounts Receivable	221,116	182,163	170,341	174,142	178,056	178,295	186,221	190,433	194,865	199,375	204,015	208,793
Materials and Supplies	29,313	32,615	35,957	36,420	36,893	37,346	37,809	38,272	38,735	39,198	39,661	40,124
Prepaid Expenses	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Assets	0	0	0	0	0	0	0	0	0	0	0	0
Total Current Assets	620,697	764,931	826,796	905,920	991,642	1,096,569	1,220,806	1,347,723	1,478,434	1,614,045	1,745,255	1,879,472
Other Assets												
Investments	192,215	192,215	192,215	192,215	192,215	192,215	192,215	192,215	192,215	192,215	192,215	192,215
Other	35,097	0	0	0	0	0	0	0	0	0	0	0
Total Other Assets	227,312	192,215	192,215	192,215	192,215	192,215	192,215	192,215	192,215	192,215	192,215	192,215
Property, Plant & Equipment												
Telecommunications Plant	1,744,742	1,912,692	2,080,642	2,165,242	2,249,842	2,334,442	2,419,042	2,503,642	2,588,242	2,672,842	2,757,442	2,842,042
Accumulated Depreciation	(727,003)	(725,285)	(743,941)	(855,515)	(974,573)	(1,101,116)	(1,332,374)	(1,563,754)	(1,498,377)	(1,640,483)	(1,766,866)	(1,898,564)
Net Telecommunications Plant	1,017,739	1,187,407	1,336,701	1,309,727	1,275,269	1,233,326	1,186,668	1,139,888	1,089,865	1,032,359	990,576	943,478
Intangibles Net	1,579,863	1,466,955	1,354,047	1,241,139	1,128,231	1,015,323	902,415	789,507	676,599	563,691	450,783	337,875
Net Property, Plant & Equipment	2,597,602	2,654,362	2,690,748	2,550,866	2,403,500	2,248,649	2,089,083	1,929,395	1,766,464	1,596,050	1,441,359	1,281,353
Total Assets	$3,445,611	$3,601,558	$3,709,759	$3,650,001	$3,587,357	$3,537,433	$3,502,104	$3,469,383	$3,437,113	$3,402,310	$3,378,829	$3,353,040
LIABILITIES & STOCKHOLDER'S EQUITY												
Current Liabilities:												
Current Portion of Long Term Debt	153,364	177,112	191,401	206,773	223,379	241,320	260,701	281,639	304,258	328,694	355,092	0
Accounts Payable	35,206	30,279	28,663	29,623	30,409	27,776	28,610	29,468	30,352	31,262	32,200	33,166
Accrued Income Taxes	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	26,667	26,667	26,667	26,667	26,667	26,667	26,667	26,667	26,667	26,667	26,667	26,667
Total Current Liabilities	215,237	234,118	246,731	262,963	280,455	295,763	315,978	337,774	361,277	386,623	413,959	59,833
Long Term Debt:												
Total Long Term Debt	2,237,028	2,226,555	2,201,855	1,995,082	1,771,703	1,530,382	1,269,682	988,043	683,785	355,092	0	0
Deferred Credits:												
Total Deferred Credits	0	0	0	0	0	0	0	0	0	0	0	0
Stockholder's Equity:												
Capital Stock	785,500	785,500	785,500	785,500	785,500	785,500	785,500	785,500	785,500	785,500	785,500	785,500
Retained Earnings	207,846	355,385	475,673	606,456	749,699	925,788	1,130,944	1,358,066	1,606,551	1,875,095	2,179,370	2,507,707
Total Stockholder's Equity	993,346	1,140,885	1,261,173	1,391,956	1,535,199	1,711,288	1,916,444	2,143,566	2,392,051	2,660,595	2,964,870	3,293,207
Total Liabilities and Stockholder's Equity	$3,445,611	$3,601,558	$3,709,759	$3,650,001	$3,587,357	$3,537,433	$3,502,104	$3,469,383	$3,437,113	$3,402,310	$3,378,829	$3,353,040

See summary of significant assumptions and accounting policies and accountants' report

PROPRIETARY

A New Wholly Owned Subsidiary of The Park Region Mutual Telephone Company

Statements of Projected Income and Cash Flows under the Hypothetical Assumptions in Note 1

For the Twelve Years Ending December 31, 2010

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Operating Revenues												
Local Service	$942,720	$943,343	$945,966	$947,589	$949,062	$950,634	$952,207	$953,780	$955,353	$956,926	$958,499	$960,071
Access Revenues	1,098,218	917,079	929,259	957,941	977,180	978,356	979,328	980,262	980,821	981,994	1,004,809	1,028,390
Subsidy Revenues	23,773	24,189	25,223	25,979	26,759	27,561	28,388	29,240	30,117	31,020	31,951	32,910
Miscellaneous	11,829	14,311	14,731	15,183	15,838	16,107	16,591	17,089	17,601	18,129	18,672	19,233
Interest Income	12,646	(2,268)	(7,150)	(2,198)	(2,244)	(2,253)	(2,343)	(2,331)	(2,442)	(2,495)	(2,549)	(2,605)
Total Operating Revenues	2,276,470	1,917,653	1,922,027	1,944,394	1,966,595	1,970,405	1,972,172	1,975,295	1,980,450	1,985,574	1,991,382	1,997,909
Operating Expenses												
Plant Operating	73,631	75,853	78,112	80,462	82,876	85,383	87,925	90,582	93,278	96,077	98,958	101,927
Plant Support	4,073	4,196	4,321	4,451	4,584	4,722	4,864	5,010	5,161	5,315	5,475	5,638
Depreciation and Amortization	218,412	204,940	225,314	234,882	242,366	249,851	254,566	254,688	257,931	265,414	249,691	255,006
Customer	34,942	35,928	37,006	38,116	39,260	40,438	41,651	42,900	44,187	45,512	46,878	48,284
Corporate	383,979	311,038	284,612	293,277	302,178	281,243	259,081	277,154	285,468	294,032	302,853	311,938
Income Taxes	136,885	92,069	71,290	77,038	83,613	102,935	119,425	131,229	142,535	152,959	173,157	186,108
Other Taxes	16,161	14,751	14,495	14,855	15,226	15,459	16,000	16,404	16,819	17,246	17,685	18,137
Total Operating Expenses	865,073	738,823	715,875	743,181	770,103	780,011	793,512	817,947	845,379	876,555	894,697	927,039
Operating Income	408,447	339,179	307,102	301,213	296,292	310,394	318,660	318,038	315,071	309,019	316,685	310,870
Other Income and Expenses												
Nonoperating Income (Expense)	(2,668)	15,518	24,033	27,959	31,663	35,509	40,706	46,400	52,413	58,601	65,027	71,223
Nonregulated Activities, Net	(13,149)	(13,544)	(13,949)	(14,367)	(14,797)	(15,240)	(15,696)	(16,167)	(16,652)	(17,151)	(17,665)	(18,195)
Income Taxes Benefit (Expense)	6,109	(762)	(3,895)	(5,249)	(6,514)	(7,859)	(9,659)	(11,676)	(13,811)	(16,008)	(18,291)	(20,479)
Total Other Income and Expense	(9,708)	1,212	6,189	8,343	10,352	12,410	15,351	18,557	21,950	25,442	29,071	32,549
Long Term Interest Expense	(190,892)	(192,803)	(193,003)	(178,773)	(163,401)	(146,795)	(128,855)	(109,473)	(88,536)	(65,917)	(41,481)	(15,082)
Net Income	207,846	147,589	120,288	130,783	143,243	176,089	205,156	227,122	248,485	268,544	304,275	328,337
Adjustments to Reconcile Net Income to Net Cash Provided By Operations:												
Depreciation and Amortization	218,412	204,940	225,314	234,882	242,366	249,851	254,566	254,688	257,931	265,414	249,691	255,006
Change in Current Assets and Liabilities	46,763	32,731	6,792	(3,437)	(3,524)	(3,367)	(7,588)	(3,897)	(3,996)	(4,095)	(4,198)	(4,307)
Net Cash Provided By Operating Activities	473,021	385,210	352,394	362,228	382,085	422,573	452,134	477,913	502,420	529,863	549,768	579,036
Cash Flows From Investing Activities:												
Plant Additions and Acquisition	(3,403,600)	(261,700)	(261,700)	(95,000)	(95,000)	(95,000)	(95,000)	(95,000)	(95,000)	(95,000)	(95,000)	(95,000)
Change in Plant Under Construction	0	0	0	0	0	0	0	0	0	0	0	0
Change in Other Assets and Liabilities	120,000	35,097	0	0	0	0	0	0	0	0	0	0
Net Cash Used In Investing Activities	(3,283,600)	(226,603)	(261,700)	(95,000)	(95,000)	(95,000)	(95,000)	(95,000)	(95,000)	(95,000)	(95,000)	(95,000)
Cash Flows From Financing Activities												
Dividends Paid	0	0	0	0	0	0	0	0	0	0	0	0
Proceeds from Sale of Common Stock	785,500	0	0	0	0	0	0	0	0	0	0	0
Proceeds from Issuance of Long-Term Debt	2,522,100	166,700	166,700	0	0	0	0	0	0	0	0	0
Principal Payments on Long-Term Debt	(132,708)	(153,364)	(177,172)	(191,401)	(206,773)	(223,379)	(241,320)	(260,701)	(281,639)	(304,258)	(328,694)	(355,092)
Net Cash Provided By (Used In) Financing Activities	3,175,892	13,336	(10,472)	(191,401)	(206,773)	(223,379)	(241,320)	(260,701)	(281,639)	(304,258)	(328,694)	(355,092)
Net Increase In Cash and Cash Equivalents	365,313	171,943	80,222	75,827	80,312	104,194	115,814	122,212	125,781	130,605	126,074	128,944
Cash and Cash Equivalents at Beginning of Period	0	365,313	537,255	617,478	693,305	773,617	877,810	993,625	1,115,837	1,241,618	1,372,224	1,498,298
Cash and Cash Equivalents at End of Period	$365,313	$537,255	$617,478	$693,305	$773,617	$877,810	$993,625	$1,115,837	$1,241,618	$1,372,224	$1,498,298	$1,627,242

See summary of significant assumptions and accounting policies and accountants' report

PROPRIETARY

A NEW WHOLLY OWNED SUBSIDIARY OF
THE PARK REGION MUTUAL TELEPHONE COMPANY

SUMMARY OF SIGNIFICANT ASSUMPTIONS AND ACCOUNTING POLICIES
(See Accountants' Compilation Report)

NOTE 1 - NATURE OF PROJECTIONS

The accompanying projection assumes that a new subsidiary will be formed to purchase Valley Telephone Company (Valley), and attain projected levels of equity and debt financing from the Parent and a lender. This projection presents to the best of management's knowledge and belief the Subsidiary's expected results of operations and cash flows for the twelve years ending December 31, 2010. Accordingly, this projection reflects its judgment as of July 7, 1998, the date of this projection, of the expected conditions, and its expected course of action given these assumptions.

The presentation is designed to assist a potential lender in negotiating financing arrangements with the new subsidiary and should not be considered to be a presentation of expected future results. Accordingly, this projection may not be useful for other purposes. The assumptions disclosed herein are those that management believes are significant to the projection. Even if the purchase occurs and the projected levels of investment from the parent company and revenue are attained, there will usually be differences between projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

NOTE 2 - NATURE OF OPERATIONS

The Subsidiary would be engaged in providing regulated and nonregulated telecommunication services. The revenues reported on the statement of income reflect the relative importance of each type of service the Subsidiary will offer. These projections assume the Subsidiary will acquire approximately 815 access lines on January 1, 1999, for a purchase price of $3,141,906.

The Subsidiary will acquire all of the assets and assume certain liabilities of Valley, using the purchase method of accounting. Excess cost over net assets acquired of $1,692,800 is classified as an intangible asset on the projected balance sheet.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Subsidiary expects to use the same accounting policies as the Parent disclosed in Note 1A through 1I and 1L of the Parent's December 31, 1997, audited historical financial statements. In addition, the Subsidiary has the following additional policies:

Intangibles, Net - The excess of cost over net assets acquired is amortized equally to expense over 15 years.

Income Taxes - Income taxes are provided based on income reported in the financial statements.

PROPRIETARY

A NEW WHOLLY OWNED SUBSIDIARY OF
THE PARK REGION MUTUAL TELEPHONE COMPANY

SUMMARY OF SIGNIFICANT ASSUMPTIONS AND ACCOUNTING POLICIES
(See Accountants' Compilation Report)

NOTE 4 - DEBT AND EQUITY FINANCING

The Subsidiary intends to obtain approximately $2,856,400 in long-term financing. Mortgage note proceeds will be used to acquire Valley and finance future outside plant replacement and expansion programs, and will be secured by substantially all of the Subsidiary's assets. The note is expected to be repaid in 144 equal monthly principal installments and 7.75% interest.

This projection also assumes a $785,500 capital contribution from the Parent in the form of stock purchases or advances.

NOTE 5 - PLANT ADDITIONS AND DEPRECIATION

Non-routine telephone plant additions for future outside plant replacement and expansion are projected to be $166,700 for each of the years 1999-2001. These additions are to be funded with a 12-year, 7.75% loan as described in Note 4.

Routine telephone plant additions are projected to be $95,000 for each of the years 1999 - 2010. These additions are to be funded out of cash flows from operations.

For depreciation purposes, property is estimated to have an average service life as scheduled below:

Property	Estimated Life
Buried Cable	20 Years
Building	40 Years
General Support Assets	8-12 Years
Switching	12 Years
Circuit	10 Years

NOTE 6 - OTHER ASSETS AND LIABILITIES

- Due from customers is estimated as a percentage of local service revenue.
- Other accounts receivable is estimated as a percentage of network access revenue.
- Material and supplies is estimated as a percentage of buried cable investment.
- Accounts payable is estimated as a percentage of cash expenses.
- Investments (except for a final 1999 payment on a long-term receivable) and other current liabilities are estimated to remain unchanged each year.

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NOTE 7 - ACCESS LINES

Management estimates that the access lines will increase by approximately 1% per year.

NOTE 8 - REVENUES AND EXPENSES

Assumptions made by the Company's management to project significant classifications are as follows:

Operating Revenues:

- Local Network - Based on Valley's rates of $12.23 for R-1 and $19.23 for B-1 with no increase in rates over the 12-year period. Access line assumptions are described in Note 7.

- Network Access - Because compensation plans and rates are constantly being revised or changed due to regulatory and other factors, this is a particularly sensitive assumption.

  1. Interstate settlements are estimated based on current NECA settlement formulas. Projected minutes of use increase 3% annually.

  2. Intrastate settlements are estimated at $.0275 per access minute for common line and $.0352 per access minute for traffic sensitive. Projected minutes of use increase 3% annually.

  3. Included in one of Valley's exchanges is a telemarketing center. The contract with the telemarketer expires in April 2000. Minutes of use for the telemarketing center are projected to be one half of the actual 1997 minutes of use beginning May 2000. Management estimates this major customer will generate approximately 30-35% of its operating revenue for the years 1999-2010.

- Billing and Collection - Based on projected messages and current industry rates, the average per line revenue is $.15 for interstate and $.03 for intrastate messages with no increase in rates over the 12-year period.

- Miscellaneous - Based on 1997 actual revenues and a 3% increase per year.

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NOTE 8 - REVENUES AND EXPENSES (Continued)

Operating Expenses:

Management has estimated the incremental and allocated costs for plant, customer, corporate operations and other taxes with a 3% annual increase. Corporate expenses include $120,000 in 1999 and $35,000 in 2000 for lease expense relating to telemarketing facilities.

Corporate expense includes $50,000 of consulting fees in each of the first five years, based on an agreement with a shareholder of the former parent company of Valley.

Nonoperating Items:

- Interest Income - Estimated at 5% per year multiplied by the beginning of the year cash and cash equivalents balance.

NOTE 9 - INCOME TAXES

Operating income taxes are computed at 39% of net income before operating income taxes. Tax expense or benefits are assumed to be paid or collected in the current year.

No estimate of deferred income taxes has been made for the projection years, as management believes these deferrals will not be significant to cash flows.

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South Dakota Public Utilities Commission

WEEKLY FILINGS

For the Period of August 27, 1998 through September 3, 1998

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact Delaine Kolbo within five business days of this filing. Phone: 605-773-3705. Fax: 605-773-3809.

MISCELLANEOUS

MS98-001 In the Matter of the Request for a Survey on Utilities' Year 2000 Readiness

The Commission voted to open this docket to determine the status of South Dakota utilities' efforts towards mitigating the potential problems posed by the Year 2000 computer problem. A survey was sent to all utility companies and other interested persons and entities on August 28, 1998. Responses to the survey are due no later than October 1, 1998

Staff Attorney: Karen Cremer
Staff Analyst: Martin Bettmann
Order Opening Docket was signed on 8/28/98
Responses Due: Not later than 10/01/98

NATURAL GAS

NG98-007 In the Matter of the Filing by MidAmerican Energy Company for Approval of Petition for Extension of Test Period

On August 27, 1998, the Commission received a Petition for Extension of Test Period from MidAmerican Energy Company (MidAmerican) as it relates to its natural gas service in South Dakota. ARSD 20:10:13:44 requires the use of a test period consisting of 12 months of actual experience ending no earlier than 6 months before the date of filing unless good cause for extension is shown. MidAmerican is contemplating filing a natural gas rate case in November 1998 and respectfully requests the Commission to authorize the use of a calendar year 1997 test period for its possible general rate increase in natural gas rates

Staff Attorney: Camron Hoseck
Staff Analyst: Bob Knadle
Date Filed: 08/27/98
Intervention Deadline: N/A

NG98-008 In the Matter of the Filing by Northwestern Public Service Company for Approval of Tariff Revisions

Application by Northwestern Public Service Company to update the fuel retention percentage pursuant to its Gas Transportation Tariff General Terms and Conditions. Northwestern Public Service company proposes to update the Gas Transportation fuel retention percentage effective October 1, 1998 based on the actual percentage incurred for the 12 month period ended July 1, 1998

TC98-150 In the Matter of the Joint Application of Valley Telephone Company and Park Region Mutual Telephone Company Regarding the Sale of Valley Telephone Company Stock to Park Region Mutual Telephone Company

Park Region Mutual Telephone Company proposes to purchase and Valley Telephone Company proposes to sell the stock of Valley Telephone Company in this joint application. Valley Telephone Company currently serves approximately 180 access lines in West Browns Valley, South Dakota as well as approximately 636 access lines in Browns Valley, Minnesota. Park Region Mutual Telephone Company is an independent telephone company serving six exchanges with approximately 4,100 access lines in Otter Tail County, Minnesota.

Staff Attorney: Karen Cremer
Staff Analyst: Dave Jacobson
Date Filed: 09/03/98
Intervention Deadline: 09/18/98

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You may subscribe to the PUC mailing list at http://www.state.sd.us/state/executive/puc/puc.htm

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Writer's Email Address
BradleyM@moss-barnett.com

October 15, 1998

RECEIVED
OCT [illegible] 1998
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

William Bullard
Executive Director
South Dakota Public Utilities Commission
500 East Capitol
Pierre, South Dakota 57501

Re: In the Matter of the Sale of the Stock of Valley Telephone Company to Park Region Mutual Telephone Company
Docket No. TC98-150

Dear Mr. Bullard:

A Joint Application has been filed requesting South Dakota Public Utilities Commission authority to sell the stock of Valley Telephone Company to Park Region Mutual Telephone Company. The Lender to Park Region Mutual Telephone Company has requested that Park Region Mutual Telephone Company form a new subsidiary to purchase the Valley Telephone Company stock. Therefore, Park Region Mutual Telephone Company has created a wholly owned subsidiary, Park Region Communications, Inc., which will purchase the Valley Telephone Company stock.

At the evidentiary hearing on this matter, Paul Hoff will amend his prefiled testimony to indicate this change in organizational structure. The change will have no impact on the operations of the Valley Telephone Company and should have no impact on the South Dakota Public Utilities Commission evaluation of the requested stock sale.

Very truly yours,

MOSS & BARNETT
A Professional Association

Michael J. Bradley

Michael J. Bradley

MJB:nlr
cc: Patrick Judge
Paul Hoff
Ann K. Newhall

LAW OFFICES
MOSS & BARNETT
A PROFESSIONAL ASSOCIATION
4800 NORWEST CENTER
90 SOUTH SEVENTH STREET
MINNEAPOLIS, MINNESOTA 55402-4129
TELEPHONE (612) 347-3300
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WRITER'S DIRECT DIAL NUMBER
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WRITER'S E-MAIL ADDRESS
BradleyM@moss-barnett.com

November 3, 1998

RECEIVED
NOV 5 1998
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

William Bullard
Executive Director
South Dakota Public Utilities Commission
State of South Dakota
500 East Capitol
Pierre, South Dakota 57501

Re: In the Matter of the Sale of the Stock of Valley Telephone Company to Park Region Mutual Telephone Company
Docket No. TC98-150

Dear Mr. Bullard:

Enclosed please find a copy of the October 27, 1998 Valley News, which published a request for comments on the proposed sale of Valley Telephone Company stock.

Very truly yours,

MOSS & BARNETT
A Professional Association

Michael J. Bradley

MJB:jm
Enclosures
cc: Paul Hoff

NEXT

DOCUMENT (S)

BEST IMAGE

POSSIBLE

NOV. 2. 1998 4:32 PM P 2
TEL: 218 826 6228
FROM : BIG STONE TELEPHONE CO

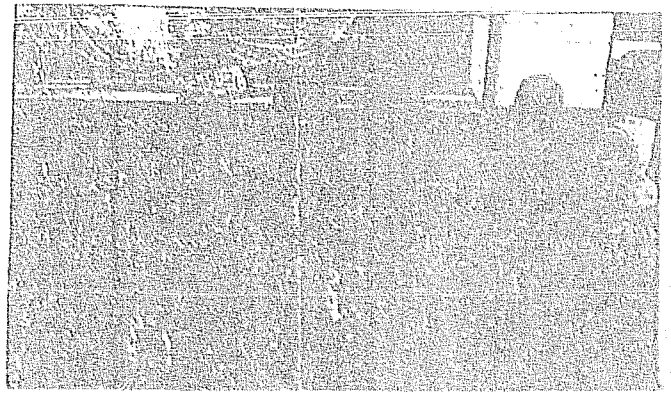
VALLEY NEWS

35¢

VOLUME 54 — PO BOX 320, BROWNS VALLEY, TRAVERSE COUNTY, MN 56219 — PH. (320) 563-8270 — FAX (320) 563-8000 — TUESDAY, OCTOBER 27, 1998 — NUMBER 45

Happy Halloween

Trick or Treat at the BVHC First & Receive Free Halloween Sack & Popcorn Ball



Traverse County Donates $10,000 Contribution to 1999 County Fair

The Traverse County Agricultural Society is continuing to exhibit every at its fair board.

County Fair Board Secretary Betty Beal reported to the county board on Oct. 6 that they expecting a shortfall of around $9,000 from operations of the 1998 fair although not all the bills have yet come through.

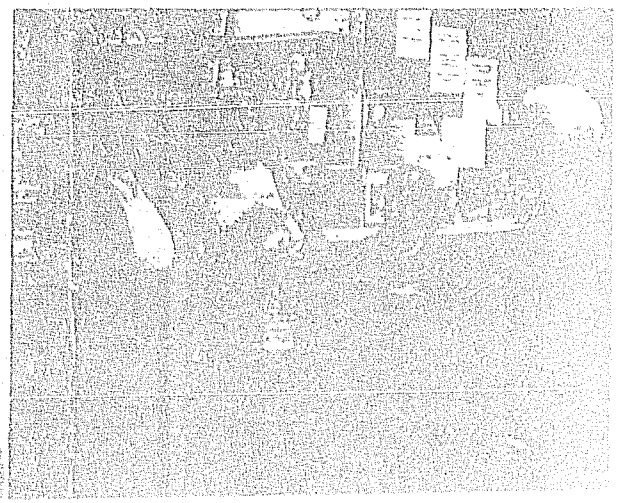
"The expecting will be around $10,000," Beal said.

Support of the fair has been a difficult decision for the county board. In recent years the deficit grew to more than $20,000 and recommendations to end county support were made.

The attendance at the 1998 fair, held in August, appeared strong approximately. Promotion efforts were up to 8 thousand, and that didn't include people attending the company Holiday concerts on Thursday or the free car pull contest on Saturday night, Beal said.

The added Thursday afternoon class held on the [illegible] and Saturday afternoon [illegible] for people of 4-H [illegible] [illegible] [illegible]

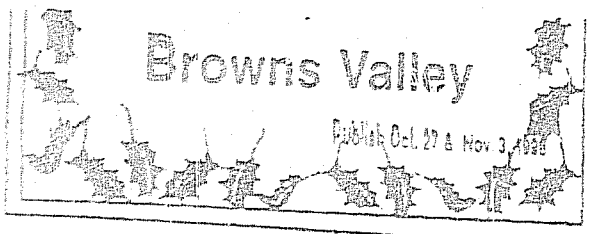
Accelerated Reading Program Integrated into Browns Valley School Curriculum



WHEREAS, the Commission
meetings with community
is

dation by J. Hansen, sec.
Hansen to adjourn at 8:45

Mark Hansen, Clerk
(Sp-ent)



Comments Sought on Proposed Sale of Valley Telephone Company Stock

PIERRE--Valley Telephone Company, serving approximately 190 South Dakota customers in West Browns Valley, South Dakota, proposes to sell its stock to Park Region Mutual Telephone Company of Underwood, Minnesota. According to the application for the sale filed with the Public Utilities Commission (PUC), Park Region Mutual Telephone Company will continue to operate Valley Telephone Company under the same name and with the same employees.

The PUC is responsible for determining if the proposed sale of Valley Telephone Company stock is in the public interest. The public is asked to call or write the PUC if they have comments or concerns regarding the proposed sale. Persons interested in commenting may call the PUC toll-free at 1-800-332-1782 or they may write: South Dakota Public Utilities Commission, 500 East Capitol Avenue, Pierre, SD 57501-5070. Comments must be received by November 19, 1998. A hearing is scheduled for 1:30 p.m. on December 3, 1998, in Room 412 of the State Capitol Building in Pierre. The public is invited to attend this hearing.

Publish October 27 and November 3, 1998

NOTICE OF CITY ELECTION

TO THE LEGAL VOTERS OF THE CITY PRECINCT IN THE CITY OF BROWNS VALLEY, MINNESOTA

NOTICE IS HEREBY GIVEN, that the election for said City, in the election district above named, will be held at the City Hall in said City, on Tuesday, the 3rd day of November, 1998, between the hours of 7:00 o'clock a.m., in the morning, and 8:00 o'clock p.m., in the evening of the same day for the following purposes, viz:

TO ELECT:

MAYOR
FOR A TERM OF TWO YEARS

TWO COUNCIL MEMBERS
FOR A TERM OF FOUR YEARS

Linda M. Schwegler
City Clerk/Treasurer
Publish October 27, 1998

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and support i
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THANK
Gerald

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THE CITY OF BRO
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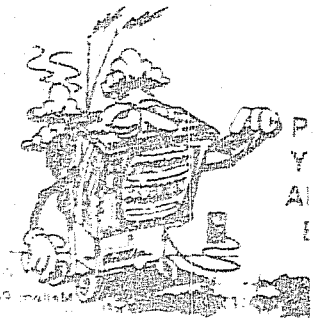

THERE WILL BE A $20 C
APPLIANCES WI
CITY C
BROWNS V
PUBLISH O

Folsom Tow
Notice of Genera

POLLING PLACE: LEGION HALL

NOTICE IS HEREBY GIVEN
Election will be held in Fol
Tuesday, the Third (3rd) day o
at which the polls will be oper
10 o'clock A.M., to the hour o
Alan Duffield, Clerk

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE SALE OF THE STOCK OF VALLEY TELEPHONE COMPANY TO PARK REGION MUTUAL TELEPHONE COMPANY	))))	ORDER FOR AND NOTICE OF HEARING TC98-150

On September 3, 1998, Revering Group, Inc. (RGI), the sole shareholder of Valley Telephone Company (Valley) and Park Region Mutual Telephone Company (Park Region), jointly applied to the South Dakota Public Utilities Commission (Commission) for approval of the sale of the stock of Valley to Park Region. The joint application stated, "Valley will continue to operate and provide local telephone service under its existing Certificate of Authority after the stock sale. Valley has a Certificate of Authority to provide telecommunications services in South Dakota. Valley is an independent telephone company with two exchanges, serving customers in West Browns Valley, South Dakota and Browns Valley, Minnesota. There are approximately 636 access lines located in Browns Valley and 180 access lines located in West Browns Valley."

On September 3, 1998, the Commission electronically transmitted notice of the filing and the intervention deadline of September 18, 1998, to interested individuals and entities. No petitions to intervene or comments were filed.

The Commission has jurisdiction in this matter pursuant to SDCL Chapters 1-26 and 49-31, specifically 1-26-17.1, 1-26-18, 1-26-19, 1-26-19.1, 49-31-2, 49-31-3, 49-31-3.1, 49-31-7, 49-31-7.1, 49-31-10, 49-31-11, and 49-31-59. The Commission may rely upon any or all of these or other laws of this state in making its determination.

A hearing shall be held on Thursday, December 3, 1998, at 1:30 p.m., in Room 412, State Capitol Building, Pierre, South Dakota. The issue at the hearing is whether the sale of the stock of Valley to Park Region should be approved.

The public is invited to participate by testifying at the hearing. All persons so testifying will be subject to cross-examination by the parties. The order of the proceeding will be in the following sequence: (1) Valley; (2) Park Region; (3) Staff; and (4) the public in general.

The hearing is an adversary proceeding conducted pursuant to SDCL Chapter 1-26. All parties have the right to attend and represent themselves or be represented by an attorney. However, such rights and other due process rights shall be forfeited if not exercised at the hearing. If you or your representative fail to appear at the time and place set for the hearing, the Final Decision will be based solely on testimony and evidence provided, if any, during the hearing or a Final Decision may be issued by default pursuant to SDCL 1-26-20.

The Commission, after examining the evidence and hearing testimony presented by the parties, shall make Findings of Fact, Conclusions of Law, and a Final Decision. As a result of the hearing the Commission may either approve or reject the proposed sale of the stock of Valley Telephone Company. The Final Decision made by the Commission may be appealed by the parties to the Circuit Court and the South Dakota Supreme Court as provided by law. It is therefore

ORDERED that a hearing shall be held on the joint application for approval of the sale of the stock of Valley to Park Region at the time and place specified above.

Pursuant to the Americans with Disabilities Act, this hearing is being held in a physically accessible location. Please contact the Public Utilities Commission at 1-800-332-1782 at least 48 hours prior to the hearing if you have special needs so arrangements can be made to accommodate you.

Dated at Pierre, South Dakota, this 6th day of November, 1998.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By _____

Date _____

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:
Commissioners Burg, Nelson and Schoenfelder

WILLIAM BULLARD, JR.
Executive Director

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE SALE OF THE STOCK OF VALLEY TELEPHONE COMPANY TO PARK REGION COMMUNICATIONS, INC.	)))))	FINAL DECISION AND ORDER APPROVING SALE OF STOCK; NOTICE OF ENTRY OF ORDER TC98-150

On September 3, 1998, Revering Group, Inc. (RGI), the sole shareholder of Valley Telephone Company (Valley), and Park Region Mutual Telephone Company, jointly applied to the South Dakota Public Utilities Commission (Commission) for approval of the sale of the stock of Valley to Park Region Mutual Telephone Company. The joint application stated, "Valley will continue to operate and provide local telephone service under its existing Certificate of Authority after the stock sale. Valley has a Certificate of Authority to provide telecommunications services in South Dakota. Valley is an independent telephone company with two exchanges, serving customers in West Browns Valley, South Dakota, and Browns Valley, Minnesota. There are approximately 636 access lines located in Browns Valley and 180 access lines located in West Browns Valley."

On September 3, 1998, the Commission electronically transmitted notice of the filing and the intervention deadline of September 18, 1998, to interested individuals and entities. No petitions to intervene or comments were filed.

On October 19, 1998, the Commission received a letter from Park Region Mutual Telephone Company informing the Commission that "[t]he Lender to Park Region Mutual Telephone Company has requested that Park Region Mutual Telephone Company form a new subsidiary to purchase the Valley Telephone Company stock. Therefore, Park Region Mutual Telephone Company has created a wholly owned subsidiary, Park Region Communications, Inc., which will purchase the Valley Telephone Company stock." In light of this development, the Commission has changed the caption of this docket to reflect this change.

The hearing was set for Thursday, December 3, 1998, at 1:30 p.m., in Room 412, State Capitol Building, Pierre, South Dakota. The hearing was held as scheduled. At the conclusion of the hearing, the Commission unanimously voted to approve the sale of stock, subject to certain conditions.

The Commission having reviewed the evidence of record and being fully informed in the matter makes the following Findings of Fact and Conclusions of Law.

FINDINGS OF FACT

1. Valley is an independent telephone company serving two exchanges, West Browns Valley, South Dakota, and Browns Valley, Minnesota. Exhibit 2, at 2. The company serves approximately 815 access lines, 179 of which are located in South Dakota. Id.

2. Park Region Mutual Telephone Company is an independent telephone company serving six exchanges with approximately 4,100 access lines in Otter Tail County, Minnesota. Id.

3. On October 19, 1998, the Commission received a letter from Park Region Mutual Telephone Company informing the Commission that "[t]he Lender to Park Region Mutual Telephone Company

has requested that Park Region Mutual Telephone Company form a new subsidiary to purchase the Valley Telephone Company stock. Therefore, Park Region Mutual Telephone Company has created a wholly owned subsidiary, Park Region Communications, Inc., which will purchase the Valley Telephone Company stock."

4. No one at the hearing spoke in opposition to the sale of the stock to Park Region Communications, Inc.

ADEQUACY OF LOCAL TELEPHONE SERVICE

5. Park Region Communications, Inc. will honor all existing contracts, commitments, leases, and other arrangements and will not eliminate any services currently provided by Valley. Exhibit 2, at 6.

6. Park Region Communications, Inc. will retain all of Valley's employees and these employees will continue to operate out of the Browns Valley central office. Id. Customers will be able to make service and billing inquiries by calling a local telephone number during office hours or a toll-free number outside of office hours. Id.

REASONABLENESS OF RATES

7. Park Region Communications, Inc. has no plans to increase the existing rates for at least 18 months. Id. at 2.

PUBLIC SAFETY ISSUES

8. Existing 911 services will continue to be provided. Id. at 4.

ABILITY OF THE BUYER TO PROVIDE SERVICE

9. Park Region Communications, Inc. is fit, willing, and able to purchase and thereafter operate, maintain, and upgrade to the level required by the Commission the facilities of the West Browns Valley exchange. Id. at 5.

10. Park Region Communications, Inc. has the ability to obtain capital and the incentive to invest in the West Browns Valley exchange. Id. at 8. Park Region Communications, Inc. will use an EWSD Siemen "Super Switch" host switch making the provisioning of ISDN possible and the switch will be interconnected by a fiber ring to provide redundancy. Id. at 5. Outside plant will be upgraded, adding sixteen miles of copper cable and seven miles of fiber cable to Valley's local distribution. Id. The availability of broadband capability will be expanded through the installation of three fiber hub sites. Id.

11. Park Region Communications, Inc. will support local economic development efforts and will work with schools and clinics to meet their telecommunications needs. Id. at 9.

PROTECTION OF THE PUBLIC INTEREST

12. Park Region Communications, Inc.'s purchase of the West Browns Valley exchange is in the public interest of the customers within the exchange for the following reasons:

a. Quality local service will be maintained;

b. The customers of the exchange will continue to receive customer service through the same business office;

c. Rates will not increase for at least 18 months as a result of the sale;

d. Emergency services will continue to be provided to the exchange at the level currently provided; and

e. Customers in the exchange will be able to obtain additional, advanced telecommunications services.

Id. at 2-7.

TAXES

13. There will be no changes in the taxes paid as a result of the sale of the stock. Id. at 7.

CONDITIONS OF SALE

1. The Commission shall approve the proposed sale of the stock of Valley subject to the following conditions:

a. That current local rates not be increased for 18 months from the date Park Region Communications, Inc. begins to operate the purchased exchange;

b. That Park Region Communications, Inc. shall not recover any of the acquisition adjustment through its regulated interstate or intrastate rates, through its local rates, or through federal or state universal service funds;

c. That Park Region Communications, Inc. shall honor all existing contracts, commitments, leases, licenses, and other agreements which relate to, arise from, or are used for the operation of the purchased exchange; and

d. That Park Region Communications, Inc. offer, at a minimum, all existing services currently offered by the purchased exchange.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the sale of stock of Valley to Park Region Communications, Inc. pursuant to SDCL Chapters 1-26 and 49-31, specifically 1-26-17.1, 49-31-3, 49-31-7, 49-31-7.1, 49-31-11, 49-31-18, 49-31-19, and 49-31-59.

2. The hearing held by the Commission relative to this matter was an evidentiary hearing pursuant to SDCL Chapter 1-26.

3. The Commission has considered, among other things, the requirements of SDCL 49-31-59 in regard to the proposed sale of stock, and protection of the public interest pursuant to SDCL 49-31-7. The Commission finds that it is in the public interest to approve the sale of stock because the sale will enable the customers in the West Browns Valley exchange to receive high quality service.

4. Park Region Communications, Inc. has satisfied its burden of proof under SDCL Chapter 49-31, specifically 49-31-3, 49-31-7, 49-31-7.1, 49-31-11, 49-31-18, 49-31-19, and 49-31-59 for approval of the sale of stock of Valley to Park Region Communications, Inc.

5. The Commission has considered the adequacy of local telephone service in reviewing this sale of stock of Valley. Park Region Communications, Inc. is required to provide all services currently offered. In addition, Park Region Communications, Inc. must honor existing contracts and other agreements.

6. The Commission has also considered the reasonableness of local rates. The Commission finds that rates for the customers in the Valley exchange will remain at the same levels and there will be no increase in rates for at least 18 months. Further, Park Region Communications, Inc. is prevented from recovering any of the acquisition adjustment through local rates.

7. Any existing public safety services currently provided will continue.

8. The Commission has determined that there will be no change in the amount of taxes paid as a result of the sale of stock.

9. The Commission has determined that Park Region Communications, Inc. has the ability to provide modern state-of-the-art telecommunications services that will facilitate economic development in rural South Dakota after the sale.

10. The Commission approves the sale of stock of Valley to Park Region Communications, Inc.

Pursuant to SDCL Chapter 1-26, the Commission hereby enters its final decision in this docket. It is therefore

ORDERED that the sale of stock of Valley to Park Region Communications, Inc. is approved subject to the Conditions of Sale.

PLEASE TAKE NOTICE that this Decision and Order in Docket TC98-150 was duly entered this 17th of December, 1998, and filed in the Commission's docket.

Dated at Pierre, South Dakota, this 17th day of December, 1998.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By Delaine Kolbo

Date 12/17/98

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

James A. Burg

JAMES A. BURG, Chairman

Pam Nelson

PAM NELSON, Commissioner

Laska Schoenfelder

LASKA SCHOENFELDER, Commissioner

LAW OFFICES
MOSS & BARNETT
A PROFESSIONAL ASSOCIATION
4800 NORWEST CENTER
90 SOUTH SEVENTH STREET
MINNEAPOLIS, MINNESOTA 55402-4129
TELEPHONE (612) 347-0300
FACSIMILE (612) 339-6686

M. CECILIA RAY
(612) 347-0289
E-MAIL: RAYC@moss-barnett.com

RECEIVED
JAN 11 1999
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

January 7, 1999

William Bullard
Executive Director
South Dakota Public Utilities Commission
State of South Dakota
500 East Capitol
Pierre, South Dakota 57501

Re: The Sale of the Stock of Valley Telephone Company to Park Region Mutual Telephone Company
TC98-150

Dear Mr. Bullard:

Enclosed is the Joint Affidavit of Sale Completion filed on behalf of Valley Telephone Company and Park Region Mutual Telephone Company in the above referenced Docket.

Sincerely,

MOSS & BARNETT
A Professional Association

M. Cecilia Ray

MCR/tmp
Enclosure
cc: Paul Hoff
Mark Ayotte
[illegible]

1896

RECEIVED
JAN 11 1999
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE SALE OF THE STOCK OF VALLEY TELEPHONE COMPANY TO PARK REGION MUTUAL TELEPHONE COMPANY	)))	TC98-150

JOINT AFFIDAVIT OF SALE COMPLETION

1. Valley Telephone Company ("Valley") and The Park Region Mutual Telephone Company ("Park Region") submitted a Joint Application (the "Joint Application") to the South Dakota Public Utilities Commission (the "Commission") requesting any and all consents and authorizations necessary for the acquisition by The Park Region Mutual Telephone Company of all of the issued and outstanding shares of stock of Valley.

2. As evidenced by the Final Decision and Order issued December 17, 1998 (the "Order"), the Commission approved the Joint Application.

3. The undersigned being duly authorized representatives of Valley and Park Region, and being first duly sworn, on oath, state that the sale, as described in the Joint Application, has been completed and is final.

Dated: January 4, 1999.

Respectfully submitted,

VALLEY TELEPHONE COMPANY

By _____
Its _____

Subscribed and sworn to before me this
4th day of January 1999.

Karen D. Thompson
Notary Public

KAREN D. THOMPSON
NOTARY PUBLIC - MINNESOTA
OTTER TAIL COUNTY
My Commission Expires Jan. 31, 2000

THE PARK REGION MUTUAL
TELEPHONE COMPANY

By _____
Its CM/CEO

Subscribed and sworn to before me this
4th day of January, 1999.

Karen D. Thompson
Notary Public

KAREN D. THOMPSON
NOTARY PUBLIC - MINNESOTA
OTTER TAIL COUNTY
My Commission Expires Jan. 31, 2000