

In the Matter of

IN THE MATTER OF THE JOINT
APPLICATION OF KENNEBEC
TELEPHONE COMPANY, INC. AND
ROD AND DONNA BOWAR
REGARDING THE SALE OF THE
MAJORITY OF KENNEBEC
TELEPHONE COMPANY, INC. STOCK
TO ROD AND DONNA BOWAR

Public Utilities Commission of the State of South Dakota

DATE

MEMORANDA

DATE	MEMORANDA
6/9/98	Filed and Rejected,
6/11/98	Filed for Public Notice of Hearing;
8/26/98	Handwritten transcript of hearing held on 8/18/98;
9/10/98	Final Negotiation and Order Approving Sale of Stock; Notice of Entry of Order;
9/10/98	Rejection Closed.
10/30/98	Verification of Closing,

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF THE SALE OF THE)
MAJORITY OF KENNEBEC TELEPHONE)
COMPANY, INC. STOCK TO ROD)
AND DONNA BOWAR)

JUN 07 1998
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION
TC98-

REQUEST FOR CONFIDENTIAL TREATMENT OF INFORMATION

Pursuant to ARSD 20:10:01:41, Rod and Donna Bowar, through their 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, Rod and Donna Bowar state as follows:

1. The first set of documents in the attached sealed envelope consists of the following from the Stock Purchase Agreement between Rod and Donna Bowar and the current stockholders of Kennebec Telephone Company, Inc.: page 1 of the Agreement; Exhibit A; page 1 of Exhibit B-1; page 1 of Exhibit B-2; page 1 of Exhibit B-3; and page 1 of Exhibit B-4. These pages contain the agreed upon purchase price for certain shares of the stock of Kennebec Telephone Company, Inc.
2. The second document in the attached sealed envelope is page 1 from the Stock Redemption Agreement between Kennebec Telephone Company, Inc. and Delores Johnstone. This page contains the redemption price paid by the Telephone Company for the majority of Kennebec Telephone Company, Inc. stock.
3. The third document in the attached sealed envelope is a pro forma Balance Sheet for the years 1997 to 2001 for Kennebec Telephone Company, Inc.

4. The fourth document in the attached sealed envelope is a pro forma Forecasted Statement of Cash Flows for the years 1997 to 2001 for Kennebec Telephone Company, Inc.

5. The fifth document in the attached sealed envelope is a historical Statement of Operations (a Net Income Statement) for the years 1993 to 1997 and a forecasted Statement of Operations (a Net Income Statement) for the years 1998 to 2001 for Kennebec Telephone Company, Inc.

6. 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

7. 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.

8. The length of time for which confidentiality is being requested for the pages containing the agreed on purchase price for the stock and for the redemption price for the majority of the stock is ten years.

9. If the purchase or redemption price becomes public, possible future buyers would gain important knowledge regarding Rod and Donna Bowar's estimate of the value of the 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.

10. 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, and in the sale of the Jefferson Telephone Company stock, Docket TC97-159. Commission Rule, ARSD 20:10:01:43, requires confidential treatment of information when such information has been treated as confidential in a prior ruling.

11. 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 Decision and Order Regarding the Sale of the Clearfield Exchange, dated October 24, 1996, Docket TC96-125. Rod and Donna Bowar agree to be bound by this requirement, and therefore the purchase price is not important to the public.

12. Telephone companies have generally treated the purchase and redemption price of telephone companies, whether an asset transfer or a stock acquisition, as confidential, taking efforts to prevent disclosure. Rod and Donna Bowar have 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 Kennebec Telephone Company, Inc. is not a matter of public interest; it is strictly confidential and private information.

13. The length of time for which confidentiality is being requested for the pro forma Balance Sheet, pro forma Forecasted Statement of Cash Flows, historical Net Income Statement and forecasted Net Income Statement is five years.

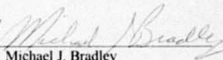
14. Telephone companies have always treated the type of information contained on the pro forma Balance Sheet, Statement of Cash Flows and Net Income Statements as confidential, taking efforts to prevent its disclosure. They have taken this precaution because the information includes the company's revenues 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, Rod and Donna Bowar request that confidential protection be afforded to the attached documents.

Dated: June 5, 1998

Respectfully submitted,

By



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 Rod
and Donna Bowar

Certificate of Service

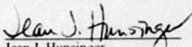
I hereby certify that an original and eleven copies of the Joint Application, the Prefiled Direct Testimony of Rod Bowar and the Request for Confidential Treatment of Information were sent via Federal Express on the 8th day of June, 1998, to the following:

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 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 by Federal Express to the persons on the attached list.


Jean J. Hunsinger

Rod Bowar
Kennebec Telephone Company
P O Box 158
Kennebec, SD 57544

Delores Johnstone
Kennebec Telephone Company
P O Box 158
Kennebec, SD 57544

Steven M. Maun
Baird, Holm, McEachen
Pedersen, Hamann & Strasheim
1500 Woodmen Tower
Omaha, NE 68102

CONFIDENTIAL 1

South Dakota
Public Utilities Commission
State Capitol 500 E. Capitol
Pierre, SD 57501-5070
Phone: (605) 773-3705
Fax: (605) 773-3809

TELECOMMUNICATIONS SERVICE FILINGS

These are the telecommunications service filings that the Commission has received for the period of:

06/05/98 through 06/11/98

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact Delaine Kolbo within five days of this filing.

DOCKET NUMBER	TITLE/STAFF/SYNOPSIS	DATE FILED	INTERVENTION DEADLINE
NEGOTIATED INTERECONNECTION AGREEMENT FILED			
TC98-112	U S WEST Communications filed for approval by the Commission the negotiated Interconnection Agreement Between U S WEST Communications, Inc. and Dakota Services, Ltd. Any person wishing to comment on the parties' request for approval may do so by filing written comments with the Commission and the parties to the agreement no later than July 1, 1998. Parties to the agreement may file written responses to the comments no later than July 22, 1998.	06/08/98	Comments By 07/01/98
REQUEST FOR CERTIFICATE OF AUTHORITY			
TC98-113	Application by Big Planet, Inc. for a Certificate of Authority to operate as a telecommunications company within the state of South Dakota. (Staff: HB/CH) "Applicant proposes to offer 1+ 0+ .800, travel card, and prepaid card service as well as directory assistance to both business and residential users."	06/09/98	06/26/98
SALE OF KENNEBEC TELEPHONE COMPANY, INC. STOCK			
TC98-114	The current stockholders of Kennebec Telephone Company, Inc. (KTC) and Rod and Donna Bowar jointly apply to the Commission for approval of the sale of the majority of KTC stock to Rod and Donna Bowar. (Staff: DJ/KC) As part of the overall transaction, KTC would redeem certain shares of the stock of the principal stockholder, Delores Johnstone. KTC would continue to operate and provide local telephone service under its existing Certificate of Authority after the stock sale.	06/09/98	06/26/98

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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF THE SALE OF THE MAJORITY OF KENNEBEC TELEPHONE COMPANY, INC. STOCK TO ROD AND DONNA BOWAR)))))	ORDER FOR AND NOTICE OF HEARING TC98-114
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On June 9, 1998, the current stockholders of Kennebec Telephone Company, Inc. (KTC) and Rod and Donna Bowar (Bowars), jointly applied to the South Dakota Public Utilities Commission (Commission) for approval of the sale of the majority of KTC stock to Bowars. The joint application stated, "As part of the overall transaction, KTC would redeem certain shares of the stock of the principal shareholder, Delores Johnstone. KTC would continue to operate and provide local telephone service under its existing Certificate of Authority after the stock sale." The KTC consists of the Kennebec and Presho exchanges.

On June 11, 1998, the Commission electronically transmitted notice of the filing and the intervention deadline of June 26, 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 Tuesday, August 18, 1998, at 2:00 p.m., at the Kennebec Community Room, Kennebec, South Dakota. The issue at the hearing is whether the sale of the majority of KTC's stock to Bowars 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) KTC, (2) Bowars, (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 Kennebec 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

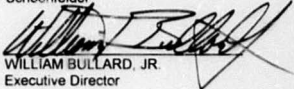
ORDERED that a hearing shall be held on the joint application for approval of the sale of the majority of stock of KTC to Bowers at the time and place specified above.

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 7 day of August, 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:	<u>William Bullard, Jr.</u>
Date:	<u>8/7/98</u>
(OFFICIAL SEAL)	

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


WILLIAM BULLARD, JR.
Executive Director

RECEIVED

AUG 28 1998

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE SALE OF THE)
MAJORITY OF KENNEBEC TELEPHONE)
COMPANY, INC. STOCK TO ROD AND)
DONNA BOWAR)

TC98-114

BEFORE THE PUBLIC UTILITIES COMMISSION

PROCEEDINGS:

The above-entitled hearing was held on the 18th day of August 1998 at the Kennebec Hearing Room, Kennebec, South Dakota, commencing at 2:00 p.m.

PUBLIC UTILITIES COMMISSION:

Jim Burg, Chairman
Laska Schoenfelder,
Commissioner
Pam Nelson, Commissioner

COMMISSION STAFF:

Rolayne Ailts Wiest
Karen Cremer
Dave Jacobson

Reported By Cheri McComsey Wittler, RPR

PRECISION REPORTING
L I M I T E D

APPEARANCES:

MICHAEL J. BRADLEY,
MOSS & BARNETT,
Attorneys At Law,
4800 Norwest Center,
Minneapolis, Minnesota

HERB C. SUNDALL,
LARSON, SUNDALL, LARSON,
SCHAUB & FOX, PC,
Attorneys at Law,
P.O. Box 187,
Kennebec, South Dakota

ALSO PRESENT:

ROD BOWAR
DONNA BOWAR
DELORES JOHNSTONE

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I N D E X

<u>Witnesses</u>	<u>Page</u>
Rod Bowar	6
Dave Jacobson	23

<u>Exhibit Nos.:</u>	<u>M</u>	<u>Q</u>	<u>B</u>
1 - Joint Application	3	8	8
2 - Prefiled Direct Testimony	3	8	8
3 - Data request to Mr. Bradley from Dave Jacobson dated 7-15-98	23	24	24
4 - Responses to data requests dated 7-28-98	23	24	24

(Exhibits 1 and 2 are marked for identification)

1 MR. CHAIRMAN: I'll begin the
2 hearing. Docket TC98-114 in the matter of the sale
3 of the majority of Kennebec Telephone Company,
4 Incorporated stock to Rod and Donna Bowar.

5 The time is approximately 2 p.m. The date is
6 August 18, 1998, and the location of the hearing is
7 Kennebec Hearing Room.

8 I am Jim Burg, commissioner chairman.
9 Commissioners Laska Schoenfelder and Pam Nelson are
10 also present. I'm presiding over this hearing.
11 The hearing is noticed for August 18, 1998, and the
12 Notice of Hearing was issued August 7, 1998.

13 The issue at this hearing is whether the sale
14 of the majority of the Kennebec Telephone Company
15 stock to Rod and Donna Bowar should be approved.

16 All parties have the right to be present and
17 to be represented by an attorney. All persons so
18 testifying will be sworn in and subject to
19 cross-examination by the parties. The commission's
20 final decision may be appealed by the parties to
21 the State Circuit Court and the State Supreme
22 Court.

23 Rolayne Wiest will act as commission counsel.
24 She may provide recommended rulings on procedural
25 and evidentiary matters. The commission may

1 overrule its counsel's preliminary rulings
2 throughout the hearing. If not overruled, the
3 preliminary rulings will become final.

4 MS. WIEST: I'll take appearances of
5 the parties.

6 MR. BRADLEY: I am Mike Bradley.
7 I'm representing Kennebec Telephone Company. And
8 with me today is saint -- Herb Sundall, who is my
9 South Dakota local counsel.

10 MS. CREMER: Karen Cremer,
11 representing commission staff, and I didn't bring
12 my saint with me, but I brought Dave Jacobson.

13 MS. WIEST: Does anybody want to
14 make opening statements at this time?
15 Mr. Bradley?

16 MR. BRADLEY: I'll be very brief.
17 First of all, let me introduce the audience. We
18 have in the back Delores Johnstone, who is selling
19 her interest in Kennebec Telephone Company.

20 I had the privilege of sitting in her office,
21 one room for the entire telephone company, and
22 we saw a plaque which was several years old
23 commemorating her at that time for 44 years
24 of service. And based on my mathematics that
25 indicates 52 of years working with

1 Kennebec Telephone Company.

2 And she has done a wonderful job. She has
3 sold her interest to the young man who is no longer
4 a young man who went to work for Kennebec Telephone
5 Company when he was about 18 or younger and kind
6 of did it all from digging ditches to managing
7 the properties.

8 He is now going to replace Delores Johnstone
9 and it's an honor for him to continue working for
10 the company that he's grown up with in serving this
11 community and we would, through very brief
12 testimony, outline his credentials and what he
13 intends to do with the company.

14 MS. WIEST: Any opening?

15 MS. KRAMER: No.

16 MS. WIEST: You may call your first
17 witness.

18 MR. BRADLEY: Rod Bowar.

19 ROD BOWAR,

20 called as a witness, being first duly sworn in the above
21 cause, testified under oath as follows:

22 DIRECT EXAMINATION

23 BY MR. BRADLEY:

24 Q Rod, would you please state and spell your name for the
25 record.

- 1 A Rod Bowar, R-O-D, B-O-W-A-R.
- 2 Q And by whom are you employed?
- 3 A Kennebec Telephone Company.
- 4 Q Would you please describe your job title and current
5 responsibilities with the company?
- 6 A I'm currently plant manager of Kennebec Telephone
7 Company, and my responsibilities include overseeing the
8 outside plant, the switching and some of the customer
9 service and some of the billing.
- 10 Q And what would be your position of the company after the
11 stock sale?
- 12 A President and general manager.
- 13 Q And you and your wife Donna are requesting authority to
14 buy the majority of the Kennebec Telephone Company
15 stock?
- 16 A Yes.
- 17 Q And is Donna here with us today?
- 18 A Yes, she is.
- 19 Q And that is the other person I meant to introduce and
20 failed to do so. And the telephone company then will
21 redeem the remaining stock that you do not purchase?
- 22 A Yes.
- 23 Q So you and your wife will end up being the sole
24 stockholders of the company?
- 25 A Yes.

1 Q We have had marked as exhibits a Joint Application which
2 contains in addition to just the Application, drawings
3 of the exchanges, the Stock Purchase Agreement and also
4 the Confidentiality Statement which sets the actual
5 price for the stock purchases. That's marked
6 Exhibit 1.

7 And Exhibit 2 has been marked as your prefile
8 direct testimony. If I were to ask you the same
9 questions that were in your prefile testimony today,
10 would your answers be the same?

11 A Yes, they would be.

12 Q Do you have any corrections, additions or deletions
13 you'd like to make?

14 A No.

15 MR. BRADLEY: At this time I'd like
16 to move into the record Exhibits 1 and 2.

17 MS. WIEST: Any objection?

18 MS. CREMER: No objection.

19 MS. WIEST: If not, they will be
20 admitted.

21 Q This is a stock acquisition?

22 A Yes.

23 Q So Kennebec Telephone Company will continue to provide
24 services after the sale?

25 A Yes.

1 Q And you're not seeking to change authority or the
2 certificate of authority previously granted to
3 Kennebec Telephone Company?

4 A No, I'm not.

5 Q Would you please briefly describe Kennebec Telephone
6 Company.

7 A Kennebec Telephone Company consists of the towns of
8 Kennebec and Presho, both of those exchanges. Kennebec
9 has host switch DMS-10. Presho has remote. We are in
10 the process of connecting them with Viborg. As we speak
11 they are digging them in, 760 access lines or
12 thereabouts.

13 Q If the commission approves the sale, will the sale
14 result in an increase in any of the current rates
15 charged by Kennebec Telephone Company?

16 A No.

17 Q Are the buyers willing to agree to a condition on
18 approval that they will not increase rates for at least
19 18 months or change design which would result in an
20 increase in 18 months?

21 A Yes.

22 Q The only exception would be if you had
23 commission-imposed changed rates or if local taxes were
24 changed, you'd do that on a flow-through basis?

25 A Right.

1 Q In past commission proceedings the commission has
2 required the sellers to agree to a condition that they
3 will not pass through an acquisition adjustment on
4 future rates.

5 Are you familiar with a concept of an
6 acquisition adjustment?

7 A Yes, I am.

8 Q Is that condition acceptable to the buyers?

9 A Yes, it is.

10 Q Will any services be eliminated as a result of the
11 sale?

12 A No, they will not.

13 Q Do the buyers agree to a commission-imposed condition on
14 the approval that the buyers will continue to provide
15 all existing services currently being offered by
16 Kennebec Telephone Company?

17 A Yes.

18 Q And you have attached to your testimony a list of the
19 current services and their rates?

20 A Yes.

21 Q You indicated that there's -- is there any EAS?

22 A Yes, there is, between Presho and Kennebec.

23 Q Are you aware of any request by customers for additional
24 EAS?

25 A None.

1 Q Kennebec Telephone Company, I think you said, has a
2 DMS-10 switch?

3 A Yes.

4 Q And you're planning on upgrading to release 411.20?

5 A Yes.

6 Q When is that --

7 A Tentatively November 1.

8 Q Will new services become available as a result of that
9 upgrade?

10 A Yes. It will make us year 2000 compatible. It will be
11 capable of ISDN. Capabilities will be there for 1 meg
12 modem. We'll have an SS7 in place.

13 Q Since I had to ask you at lunch what a 1 meg modem is,
14 in case there are others, would you mind telling us?

15 A 1 meg modem Northern Telecom believes is the next step
16 from ISDN.

17 Essentially the big thing from the customer
18 standpoint today, if you have ISDN and the electricity
19 goes out, the commercial AC goes out, you lose your
20 services unless you have some form of backup.

21 1 meg modem you can provide the services that
22 you provided with ISDN, only it's not dependent upon
23 commercial power, which you can provide all the same
24 services and probably at a cheaper rate.

25 Q Customers currently have local access to the Internet?

- 1 A Yes, they do.
- 2 Q Who provides that?
- 3 A North Central Electric.
- 4 Q Does the telephone company employ any particular
5 assistance or services to that company?
- 6 A Yes, we do. We at no cost -- they do not have any
7 employees based in Kennebec so what we do is we -- for
8 one thing they keep the equipment in the cable company
9 building, all of their routers and stuff, and we provide
10 it at no charge to them.
- 11 We go out and maintain their routers and
12 modems to the best of our abilities.
- 13 Q Will emergency services be affected by the sale?
- 14 A No, they will not.
- 15 Q Kennebec Telephone Company currently provides 911
16 services?
- 17 A Yes, it does.
- 18 Q How many employees do you currently have?
- 19 A We have eight full time, one part time.
- 20 Q Except for Delores Johnstone who is retiring, will other
21 employs keep on --
- 22 A Yes. They'll stay in place.
- 23 Q Who will assume Delores's responsibilities?
- 24 A I will, the managerial.
- 25 Q In your opinion, will customer service change as a

1 result of the sale?

2 A None.

3 Q And why is that?

4 A Because we'll still have the existing employees. If
5 someone has trouble today, they call in, and they talk
6 to the one of the ladies in the office.

7 And they will continue to do so. And the
8 trouble calls will be dispatched accordingly. It will
9 not be affected.

10 Q All of your customers will have the ability to make
11 trouble reports or service questions locally?

12 A Yes.

13 Q What impact will the sale have on universal service?

14 A None.

15 Q In terms of universal service funding, it will be none?

16 A None.

17 Q Will the sale have any impact on taxes?

18 A No. Because Kennebec's independent. We pay gross
19 receipts tax so in a stock acquisition there should be
20 no impact.

21 Q Is FCC approval required?

22 A No.

23 Q South Dakota Statutes seek to ensure that all citizens
24 of South Dakota realize the, "Advantages of the
25 forthcoming information age, including economic

1 development, educational opportunities, heightened level
2 of care and more efficient services for all levels of
3 government."

4 Will you be able to provide CLASS services
5 with SS7 as a result of your upgrade?

6 A Yes.

7 Q How does your company support economic development?

8 A We're a believer in it because a strong local economy is
9 going to benefit everyone in the community.

10 And we participate in a lot of ways; for
11 instance, by helping West Central Electric with the
12 Internet. Among other things, we get involved in
13 community activities, provide on-site support, these
14 types of things.

15 Q Would you please tell the commission what type of
16 schools you've got in your communities?

17 A It's Lyman School District. In Presho there's the high
18 school and the grade school. For the Presho and Vivian
19 communities, the grade school. And the middle school is
20 in Kennebec for the entire area, and Reliance and
21 Kennebec grade school is in Kennebec.

22 And we're one school district so we offer some
23 unique opportunities for us being able to offer our
24 assistance to them.

25 Q Are you working with the school district to meet their

1 needs?

2 A Yes, we are. In fact, I sit on the technology committee
3 that the school has and try to tell them as much as we
4 possibly can to get into the computer age right now, is
5 what we're worried about.

6 Q How about medical facilities?

7 A There's a clinic in Kennebec, as you probably saw, and
8 there's also a clinic in Presho too. They are not
9 associated with one another, but we would work with them
10 in anything they possibly need.

11 Q The commission in the past has required the buyers to
12 agree to honor all existing contracts, leases
13 commitments, licenses and other agreements. Is that a
14 problem for you?

15 A No, it's not.

16 Q Do you believe that approving the sale would be in the
17 public interest?

18 A Yes, I do. I think that a locally owned company is a
19 strong asset to this community due to the fact the
20 employees are based here and we can offer help in the
21 communities in whatever ways they may need it.

22 It may be from digging a ditch to helping them
23 with something technical. Also I would like to --
24 myself I look forward to this opportunity because I've
25 lived here all of my life, and I want to live here the

1 rest of my life. And this is a very exciting time for
2 the telecommunications age, and I want to be part of it.

3 MR. BRADLEY: I have no more
4 questions.

5 MS. WIEST: Ms. Cremer?

6 MS. CREMER: I have nothing.

7 MS. SCHOENFELDER: I have several,
8 if I may.

9 CROSS-EXAMINATION

10 BY MS. SCHOENFELDER:

11 Q First of all, we have granted ETC to Kennebec?

12 A Yes.

13 Q So you've met all criteria?

14 A Yes.

15 Q If I recall it right, and I'm interested in your input,
16 Kennebec has a rather high loop rate so you get quite a
17 bit of money out of universal service out of the high
18 cost fund.

19 A Uh-huh.

20 Q And I guess I'm wondering if something like 75/25
21 happens to the high cost fund for rurals, how negatively
22 that would affect your service?

23 A Well, it would affect it, and we'd have to deal with it
24 accordingly. One of the things that would greatly
25 influence this is where the state universal service fund

1 would possibly be at.

2 I mean, it's hard to foresee the future on all
3 of these different pieces, but we may have to -- we have
4 to try to work within our budget to continue to provide
5 the best possible service, which has always been our
6 goal. And we went through times before.

7 Q You have a DMS-10 -- let's go back to the schools just a
8 minute. You said you'll work with the schools. Are
9 your schools wired?

10 A Yes. The prisoners got it done. We provided the
11 assistance during that time mostly on advising and some
12 of these things, helping --

13 Q But under the Governor's program, or you did it locally?

14 A Under the Governor's program.

15 Q In the rural areas, from what I hear, we have the
16 schools wired, we have pretty darn good service to those
17 schools and whatever the schools require we have there,
18 but the next problem might be price.

19 And obviously we're hoping that there's some
20 help for that somewhere, but right now I wouldn't cash a
21 check.

22 A Uh-huh.

23 Q So I guess I'm wondering if there's some way that you're
24 contemplating a better price for schools than something
25 else?

1 A Well, we've talked about this, and until they know
2 exactly what they need, it's hard to contemplate what
3 they want. One of the things that's important is that
4 we get our fiber in between the two towns so we're in a
5 better position to offer services.

6 Today we have to lease facilities from
7 US West, and you know we're not going to get a break
8 there. So what we need to do is get that in place, and
9 then when they need exactly what they need --

10 We've already talked about this. They're
11 going to have a host computer and then -- maybe in
12 Presho, and we'll tie all the Kennebec terminals back to
13 it through our fiber, these type of things. But
14 until -- you know, so much of their stuff is based on
15 the government money -- it escapes me right now.

16 Q Right.

17 A -- that they're not sure what they want. So it's hard
18 for me to answer.

19 Q But they're not using any interacting video for teaching
20 purposes at this time?

21 A No.

22 Q Do they have plans to do that?

23 A On that committee we've talked about it, but the
24 superintendent really doesn't foresee it in his future.

25 Q Okay. So it would be mostly computer services that

1 you'd be looking at?

2 A Yes. Internet, these types of things.

3 Q And you're doing 911. You don't do enhanced 911 in this
4 county?

5 A The county does not want to yet. We're capable of it if
6 they ask for it.

7 Q Good. You have existing firebars. Does that work
8 pretty well for your small community?

9 A Yes, it does very well. And they're in both exchanges,
10 one for each town.

11 Q When you put in a new fiber, and some of the technology
12 you're putting in I read in your testimony sounds pretty
13 up to date, would you be able to do like a DSL, digital
14 subscriber line, if and when you have a demand for
15 that?

16 A Yes. And, in fact, we've already -- we've put some AFC
17 out in the rural, and we're using PAIR GAIN in the towns
18 now. We're using it on copper today, but we can
19 provide --

20 If ASDM income comes along and PAIR GAIN will
21 support it and the AFC will support it in the rural,
22 because we're so spread out, you know, less than one
23 customer per mile, we're a ways away from fiber and the
24 rural out there, I'm sure.

25 But we can do almost anything today that

1 they ask for out there with the AFC and PAIR GAIN. And
2 AFC -- I don't know if you've heard. The problem with
3 AFC is you've only got a 3-mile radius.

4 They're working with PAIR GAIN, and it's
5 supposed to be available forthcoming. PAIR GAIN will
6 have a card you put in the AFC, which I can stick a
7 little terminal out there in the rural to support six
8 people.

9 Q Do you have a big demand? Do you have a lot of rural
10 people who want computers who are on the Internet who
11 are on line?

12 A I would say not a lot. There's a few. It seems like
13 they're on the end, but we've managed to satisfy all of
14 their needs to date. Some of the longest customers are
15 the ones that have it. The ones in between don't.

16 Q But people are using -- rural people are using computers
17 and do have a need for them.

18 A Yes.

19 Q One other question. Do you belong to SDN?

20 A Not as of yet.

21 MS. SCHOENFELDER: Okay. Thank
22 you.

23 MR. CHAIRMAN: Just a couple simple
24 ones.

25

CROSS-EXAMINATION1
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25BY MR. CHAIRMAN:

Q What communities do you serve, or how many communities?

A Just Kennebec and Presho.

Q There's no smaller towns in your territory?

A No.

Q And I did notice that, you know, just caught it running through, that one of you -- you offered security -- part of your security was do you have a cable TV --

A Yes.

Q Was that yours before?

A It's Delores's and mine. It's a partnership.

Q So you have the cable TV here as well as the phone company?

A Just in Kennebec. We don't have it in Presho.

MR. CHAIRMAN: I don't have anything else.

CROSS-EXAMINATIONBY MS. WIEST:

Q What are your local rates?

A Okay. It's \$25 for a business, \$16 for residence.

Q You mentioned that customer service will not change.

Right now can a customer call in a trouble report

24 hours a day?

A Yes. What they can either -- they call in, and they get

1 our answering machine. What the answering machine lists
2 is the call-out numbers -- we've got one person that's
3 always on call and what they have is basically a mobile
4 phone and we start out by saying that's available to
5 call that and somebody will answer it.

6 But we even cover the basis if no one answers
7 that, we start listing numbers. My number's first. We
8 go right down the list. If it's something minor that
9 doesn't need immediate attention, they can leave a
10 message.

11 MS. WIEST: Thank you.

12 MR. CHAIRMAN: That prompted one for
13 me.

14 RE-CROSS-EXAMINATION

15 BY MR. CHAIRMAN:

16 Q Your rates are \$16. Do you have vertical services as
17 well?

18 A Please explain.

19 Q They are the services, I should say, call waiting, call
20 forwarding.

21 A Yes. We've got all of those.

22 Q Are any of those in the \$16?

23 A No. The only thing that's in there is touch tone.

24 Q And the rest of them are add-on price?

25 A Yes.

1 MR. CHAIRMAN: That's all.
2 MS. WIEST: Any redirect?
3 MR. BRADLEY: No.
4 MS. WIEST: Thank you. Any other
5 witnesses?
6 MR. BRADLEY: No. He's our only
7 witness.
8 MS. WIEST: Ms. Cremer?
9 MS. CREMER: Thanks. I'll call
10 Dave Jacobson.

11 (Exhibits 3 and 4 are marked for identification)

12 DAVE JACOBSON,
13 called as a witness, being first duly sworn in the above
14 cause, testified under oath as follows:

15 DIRECT EXAMINATION

16 BY MS. CREMER:

17 Q Do you want to state your name and address for the
18 record.
19 A My name is Dave Jacobson. My address is
20 Public Utilities Commission, 500 East Capitol Avenue,
21 Pierre, South Dakota.
22 Q Who are you employed by, Dave?
23 A By the Public Utilities Commission.
24 Q In what capacity?
25 A I'm a utility analyst.

- 1 Q Are you familiar with docket TC98-114?
- 2 A Yes.
- 3 Q And what did you do in analyzing this docket?
- 4 A We reviewed the docket and, as to its compliance with
5 the statutory guidelines and requirements, sent out a
6 data request on July 15 which was answered by a response
7 on July 28, and that's basically it.
- 8 Q And before you is what was marked as Exhibit 3. Would
9 you describe that for us.
- 10 A Yes. That is our data request that we sent on July 15.
- 11 MS. CREMER: I would move for the
12 admission of Exhibit 3.
- 13 MR. BRADLEY: No objection.
- 14 MS. WIEST: It's admitted.
- 15 Q I think you said in front of you is Exhibit 4. Could
16 you tell us what that is?
- 17 A Yeah. That is the data response that we received
18 July 29. It was sent July 28.
- 19 MS. CREMER: Okay. I would move for
20 the admission of Exhibit 4.
- 21 MR. BRADLEY: No objection.
- 22 MS. WIEST: Admitted.
- 23 Q Mr. Bowar's answers to data requests, were those full
24 and complete?
- 25 A Yes.

1 Q Do you have a recommendation, Dave?

2 A Yes. I would recommend that the sale of stock be
3 approved. It's met all the statutory requirements, and
4 we'd recommend approval.

5 MS. CREMER: That's all the
6 questions I would have.

7 MS. WIEST: Any questions?

8 MR. BRADLEY: No questions.

9 MS. WIEST: Commissioners?

10 MR. CHAIRMAN: I don't have any
11 questions.

12 MS. WIEST: Okay. Thank you.

13 MS. CREMER: That's all I have.

14 Thanks.

15 MS. WIEST: Any closing statements
16 at all?

17 MR. BRADLEY: Very brief. I think
18 the staff has summed it up completely. Clearly the
19 requirements of the statute have been met.

20 We have an individual who knows the company
21 better than anyone else could. He hopes to carry
22 on the high legacy that its predecessor gave him,
23 and I have every reason to believe he will be
24 successful. And we ask that you approve the sale.

25 MS. WIEST: Ms. Cremer?

1 MS. CREMER: No closing.

2 MS. WIEST: Commissioners?

3 MR. CHAIRMAN: I move we approve
4 the sale -- the stock exchange sale of
5 Kennebec Telephone.

6 MS. SCHOENFELDER: I think, though,
7 we need to add the conditions that we've ordinarily
8 had on them. So if you'd like to do that.

9 MR. CHAIRMAN: I'll move that the
10 proposed sale of the stock of Kennebec Telephone
11 Company, Incorporated be approved as being in the
12 public interest subject to the following
13 conditions:

14 One, that the current local rates not be
15 increased within 18 months from the date of sale is
16 final; that Kennebec Telephone Company shall not
17 recover any of the acquisition adjustment through
18 its regulated interstate or intrastate rates,
19 through local rates or through federal or state
20 universal service funds; that Kennebec Telephone
21 Company shall honor all existing contracts,
22 commitments, leases, licenses and other agreements
23 which relate to or arise from or are used for the
24 operation of the purchased company; that the KTC
25 offers, at a minimum, all existing services

1 currently offered by the purchase company; and,
2 finally, KTC not continue any existing extending
3 service arrangement without first obtaining
4 approval from the commission.

5 MS. SCHOENFELDER: I second.

6 MS. NELSON: I concur.

7 MS. WIEST: That's it.

8 (The hearing concluded at 2:30 p.m.)
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1 STATE OF SOUTH DAKOTA)

2 :SS

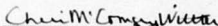
CERTIFICATE

3 COUNTY OF HUGHES)

4
5 I, CHERI MCCOMSEY WITTLER, a Registered
6 Professional Reporter and Notary Public in and for the
7 State of South Dakota:

8 DO HEREBY CERTIFY that as the duly-appointed
9 shorthand reporter, I took in shorthand the proceedings
10 had in the above-entitled matter on the 18th day of
11 August 1998, commencing at 2:00 p.m., and that the
12 attached is a true and correct transcription of the
13 proceedings so taken.

14 Dated at Pierre, South Dakota this 25th day
15 of August 1998.

16
17 

18 Cheri McComsey Wittler,
19 Notary Public and
20 Registered Professional Reporter
21
22
23
24
25

TC98-114

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MICHAEL J. COLE
PATRICK W. HENNING
WAYNE A. HENNING

June 9, 1998

RECEIVED

JUN 09 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 Majority of Kennebec Telephone Company, Inc.
Stock to Rod and Donna M. Bowar

Dear Mr. Bullard:

Enclosed, please find an original and eleven copies of the following documents: 1) the Joint Application filed on behalf of Kennebec Telephone Company, Inc. and Rod and Donna Bowar; 2) the Prefiled Direct Testimony of Rod Bowar in support of the Joint Application; and 3) the Request for Confidential Treatment of Information filed on behalf of Rod and Donna Bowar in the above-entitled Docket. Also enclosed is a Certificate of Service.

Very truly yours,

MOSS & BARNETT
A Professional Association

Michael J. Bradley
Michael J. Bradley

MJB/jjh
Enclosures
cc: All parties of record
176951/1



TC98-114

RECEIVED

JUN 09 1998

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE SALE OF THE) TC98-
MAJORITY OF KENNEBEC TELEPHONE)
COMPANY, INC. STOCK TO ROD) **JOINT APPLICATION**
AND DONNA BOWAR)

Pursuant to SDCL § 49-31-59, the current stockholders of Kennebec Telephone Company, Inc. ("KTC") and Rod and Donna Bowar, husband and wife, jointly apply to the South Dakota Public Utilities Commission ("Commission") for approval of the sale of the majority of KTC stock to Rod and Donna Bowar. As part of the overall transaction, KTC would redeem certain shares of the stock of the principal shareholder, Delores Johnstone. KTC would continue to operate and provide local telephone service under its existing Certificate of Authority after the stock sale.

KTC received a Certificate of Authority on April 18, 1967, to provide telecommunications services in South Dakota. KTC is an independent telephone company located in Kennebec, South Dakota, operating two exchanges in Kennebec and Presho and serving approximately 760 access lines. A copy of the exchange map is provided as Exhibit A. Nonproprietary copies of the Stock Purchase Agreement and the Stock Redemption Agreement (which omit the purchase price) are provided as Exhibit B. A proprietary copy of the pages which contain the purchase price is being filed separately.

Buyer Rod Bowar will file testimony supporting the following statements and demonstrating that approval of the stock sale is in the public interest.



1. KTC will continue to have the financial and technical abilities to assure the proper operation of the business. KTC will continue to provide its own engineering, switching, billing, maintenance, and outside plant support. With the exception of Delores Johnstone, who will retire, KTC plans to retain its existing employees (eight full-time and one part-time) to provide local maintenance and switch support. In addition, KTC hires additional employees during the summer.

2. Rod Bowar has the managerial capabilities to operate KTC. He currently serves as Plant Manager and will become President and General Manager of KTC upon the effective date of the acquisition.

3. Rates will not change as a result of this stock sale, and KTC agrees not to increase any rates, except in response to a Commission order, for a period of 18 months.

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.

6. Customers will continue to be able to communicate with KTC using local calling.

7. The existing emergency services will be unaffected by the sale.

8. KTC will work with any interested schools and medical facilities to provide distance learning and tele-medicine as needed.

9. KTC is very aware of the importance of economic development to the communities it serves. It pledges continued support for local economic development efforts.


10. Tax payments will be unaffected by this sale.

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

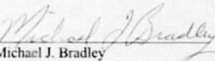
The sale is scheduled to close on the last business day of the first calendar quarter after the Commission's approval is granted. One of the preconditions for closing is obtaining necessary regulatory approvals. The only FCC approval is related to a business band radio license. Therefore, the applicants respectfully request expedited treatment of this matter by the Commission to permit prompt closing.

Dated: June 5, 1998

Respectfully submitted,

By 
Delores Johnstone
Kennebec Telephone Company
P O Box 158
Kennebec, SD 57544
Telephone: 605-869-2220

On Behalf of the
Majority Stockholders of
Kennebec Telephone Company, Inc.

By 
Michael J. Bradley
Moss & Barnett, P.A.
A Professional Association
4800 Norwest Center
90 S Seventh Street
Minneapolis, Minnesota 55402
Telephone: 612-347-0337
Attorneys on Behalf of Rod Bower

NEXT

DOCUMENT (S)

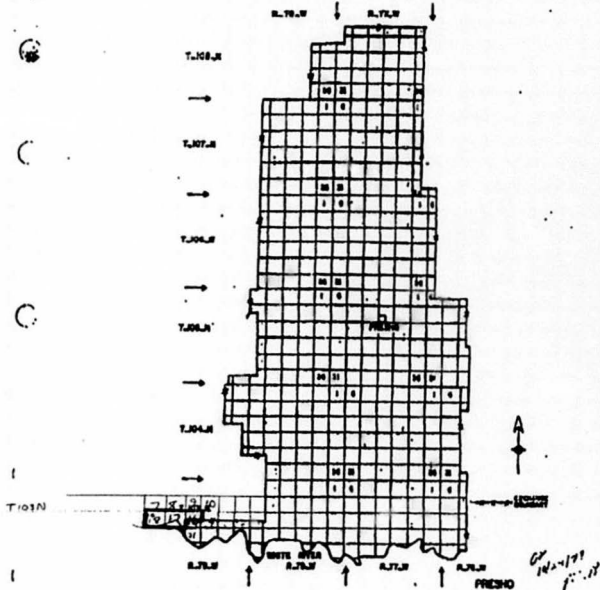
BEST IMAGE

POSSIBLE

NORTHWESTERN BELL
TELEPHONE COMPANY

Pierre
LOCALITY
SPECIAL RATE
AREA MAP

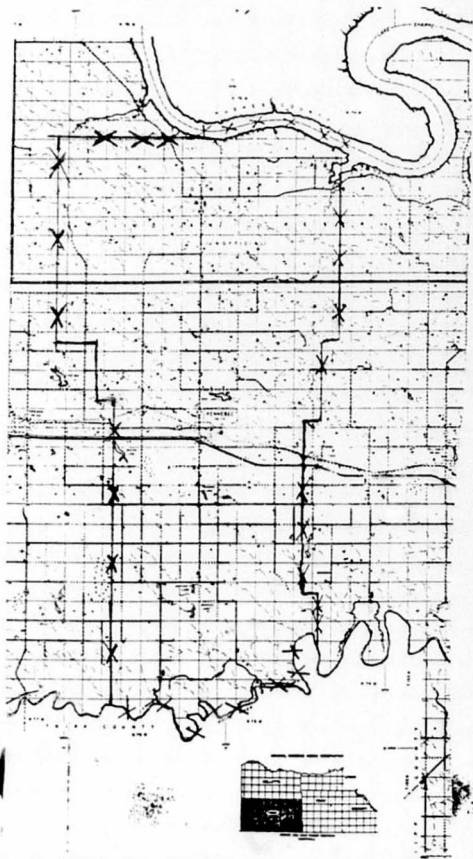
FRESNO, SOUTH DAKOTA
FIRST REVISION SHEET
CANCELS SHEET ISSUED 8-22-78



ISSUED October 23, 1978 EFFECTIVE November 23, 1978

BY R. J. Callahan
ASSISTANT VICE PRESIDENT

Kenebec



STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (the "Agreement") is made as of June 1, 1998, among Rod Bower (the "Buyer"); Kennebec Telephone Company, Inc., a South Dakota corporation ("Kennebec"); and Delores Johnstone, Dan Johnstone, Brad Johnstone and Candy Miller (individually, a "Shareholder" and collectively, the "Shareholders").

WHEREAS, Shareholders own seventy-two (72) shares of the issued and outstanding shares of the sole class of common stock of Kennebec;

WHEREAS, Buyer desires to purchase thirty-nine (39) shares of the common stock of Kennebec (the "Kennebec Stock") from the Shareholders, and the Shareholders desire to sell the Kennebec Stock to Buyer upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual premises, covenants and agreements set forth below, the parties agree as follows:

Article 1 PURCHASE OF SHARES

1.1 **Purchase and Sale.** At Closing (as defined below), Buyer shall purchase the Kennebec Stock from the Shareholders, and the Shareholders shall sell the Kennebec Stock to Buyer. Buyer shall purchase the Kennebec Stock from the Shareholders for an aggregate purchase price of (the "Purchase Price") which amount shall be payable in accordance with this Article 1.

1.2 **Payment of the Purchase Price.** In consideration for the purchase of the Shares, at Closing, Buyer shall execute and deliver to each Shareholder an installment note (the "Notes") in the principal amount equal to their respective percentage interest of the Purchase price as shown on Exhibit A attached hereto, dated as of the Closing Date and in substantially the form attached hereto as Exhibit B. Buyer and each Shareholder shall execute a Stock Pledge Agreement in substantially the form attached hereto as Exhibit C, pursuant to which Buyer shall grant a security interest in the Kennebec Stock acquired from such Shareholder. Buyer also agrees to assign that certain First Penn Life Insurance Company Policy No. T101385558 as collateral security for repayment of the Notes by executing the Assignment of Policy as Collateral Security in substantially the form attached hereto as Exhibit D. As further security for repayment of the Notes, Buyer shall pledge as security his general partnership interest in the Kennebec CATV Company, a South Dakota general partnership, by executing a Security Agreement and UCC Financing Statement in substantially the form attached hereto as Exhibit E (collectively, the "Partnership Security Agreement"). The security interests shall secure Buyer's obligation to repay the Notes.

1.3 **Closing.** The consummation of the transactions contemplated herein (the "Closing") shall take place at the offices of Kennebec, Main Street, Kennebec, South Dakota, at 10:00 a.m. local time, on the last business day of the first calendar quarter,

ending after all required regulatory approvals, notices and consents have been given and obtained, so long as such day is at least ten (10) calendar days after receipt of such regulatory approvals, or at such other time and place as Buyer and the Shareholders may mutually agree (the "Closing Date").

Article 2
REPRESENTATIONS AND WARRANTIES OF BUYER

For the purpose of inducing Kennebec and Shareholders to enter into this Agreement, Buyer hereby makes the following representations and warranties:

2.1 **Authorization.** Buyer has full power and authority to enter into and perform his obligations under this Agreement. This Agreement is a valid and binding obligation of Buyer in accordance with its terms, subject to limitations imposed by laws and judicial decisions relating to or affecting the rights of creditors or secured creditors generally or general principles of equity (regardless of whether enforcement is considered in proceedings at law or in equity), upon the enforceability of any of the remedies, covenants or other provisions of this Agreement and the availability of injunctive relief or other equitable remedies.

2.2 **Regulatory Approvals.** At Closing, Buyer shall have given all notices to and have obtained from all state and federal regulatory authorities any approvals, consents, permits and authorizations required in order to consummate the transactions contemplated in accordance with this Agreement.

2.3 **Access to Books and Records.** Buyer has carefully reviewed this Agreement and in deciding to purchase the Kennebec Stock has reviewed information set forth in the books and records of Kennebec. Buyer acknowledges and agrees that, to the best of his knowledge, all documents, records and books pertaining to this transaction have been made available for inspection by Buyer and his representatives. Buyer has had a reasonable opportunity to ask questions of and receive answers from the Shareholders and Kennebec concerning all aspects of the business of Kennebec, including, without limitation, its assets and liabilities, and all such questions have been answered to the full satisfaction of Buyer and his representatives. Buyer further represents that he has such knowledge and experience in financial and business matters that management is capable of evaluating the merits and risks of purchasing the Kennebec Stock and to make an informed investment decision with respect thereto.

2.4 **Investment Intent.** Buyer is acquiring the Kennebec Stock for investment and not with a view to distribution thereof, and Buyer will not make any distribution or transfer thereof except in accordance with the Securities Act of 1933, as amended, and the rules and regulations thereunder and applicable exemptions therefrom.

Article 3
**REPRESENTATIONS AND WARRANTIES OF KENNEBEC
AND THE SHAREHOLDERS**

For the purpose of inducing Buyer to enter into this Agreement, Kennebec and the Shareholders, jointly and severally, hereby make the following representations and warranties.

3.1 Organization and Qualification of Kennebec. Kennebec is a corporation duly incorporated, validly existing and in good standing under the laws of the State of South Dakota with full corporate power and authority to carry on the business in which it is presently engaged and to own, lease and operate its properties and to perform its obligations hereunder.

3.2 Organizational Documents. Kennebec has delivered to Buyer a true and correct copy of the Articles of Incorporation of Kennebec, together with all amendments thereto, as certified by the Secretary of State of South Dakota, and a true and correct copy of the Bylaws of Kennebec as currently in effect, as certified by the Secretary of Kennebec.

3.3 Regulatory Approvals. At Closing, Kennebec shall have given all notices to and have obtained from all state and federal regulatory authorities any approvals, consents, permits and authorizations required in order to consummate the transactions contemplated in accordance with this Agreement.

3.4 Authorization of Agreement. The execution and delivery of this Agreement has been duly authorized and approved by Kennebec's board of directors and the Shareholders. This Agreement is a valid and binding obligation of Kennebec and the Shareholders, enforceable in accordance with its terms, subject to limitations imposed by laws and judicial decisions relating to or affecting the rights of creditors or secured creditors generally or general principles of equity (regardless of whether enforcement is considered in proceedings at law or in equity), upon the enforceability of any of the remedies, covenants or other provisions of this Agreement and the availability of injunctive relief or other equitable remedies. All persons who have executed this Agreement on behalf of Kennebec and/or the Shareholders have been duly authorized to do so by all necessary action of Kennebec and its Shareholders.

3.5 Capital Stock of Kennebec. Kennebec has total authorized capital of 15,000 shares of common stock, par value \$100 per share of which 73 shares are issued and outstanding as of the date hereof. Kennebec has no other class of stock authorized or issued and outstanding. All of the issued and outstanding shares of the Kennebec Stock are duly and validly issued and outstanding, are fully paid and nonassessable, were issued in compliance with all state and federal laws and are held by the Shareholders. The delivery by the Shareholders to Buyer of a certificate or certificates representing the Kennebec Stock, as provided in Section 8.4 of this

Agreement, will pass good and marketable title to the Kennebec Stock to Buyer. There are no outstanding warrants, options, rights, calls or other commitments of any nature relating to the Kennebec Stock, and there are no outstanding securities or debt obligations of Kennebec convertible into shares of capital stock of Kennebec.

3.6 Financial Statements of Kennebec. Kennebec has delivered to Buyer copies of the audited financial statements of Kennebec for the years ended December 31, 1996 and 1997 (the "Kennebec Financial Statements"), which are true and correct in all material respects and set forth all known liabilities, whether contingent or otherwise, accurately and fully as of the dates thereof. The Kennebec Financial Statements were prepared in accordance with generally accepted accounting principles ("GAAP") applied on a consistent basis and fairly present the financial condition of Kennebec as of their respective dates and the results of operations of Kennebec for the periods ended December 31, 1996, and December 31, 1997, respectively.

3.7 Absence of Material Changes. Since December 31, 1997, except as previously disclosed to Buyer, Kennebec has operated its business in the ordinary course, and there has not been any change in the financial condition, assets, liabilities or operations of Kennebec other than changes in the ordinary course of business, none of which has individually or in the aggregate been materially adverse to the financial condition, properties, assets, liabilities or operations of Kennebec.

3.8 Litigation and Claims. There are no judgments unsatisfied against Kennebec or against Kennebec Stock or the Shareholders or consent decrees or injunctions to which Kennebec or the Kennebec Stock or the Shareholders are subject, and there is no litigation, claim or proceeding pending, or to the knowledge of Kennebec or its Shareholders threatened, against or relating to Kennebec or against the Kennebec Stock or the Shareholders or the properties or businesses of Kennebec, nor does Kennebec or its Shareholders know or have reasonable grounds to know of any basis for any such action or of any governmental investigation relating to Kennebec or the properties or operations of Kennebec.

3.9 Compliance With Laws. To the best knowledge of Kennebec and the Shareholders, Kennebec has complied in all material respects with all laws, regulations and orders applicable to it or its businesses and has obtained all governmental permits, licenses, franchises or the like required in order to conduct its business, and the present uses of its properties and the conduct of its businesses do not violate in any material respect any law, regulation, ordinance or order. Neither Kennebec nor the Shareholders have received any notice or warning from any governmental authority with respect to any failure or alleged failure of Kennebec or its Shareholders to comply with any applicable law, regulation or order and, to the best knowledge of Kennebec and the Shareholders, no such notice or warning has been proposed or threatened.

3.10 No Breach of Agreement. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated by this Agreement will not (i) violate or result in a breach or default or acceleration under the Articles of Incorporation or Bylaws of Kennebec or any instrument or agreement to which Kennebec or the Shareholders are a party or are bound which would have a material adverse effect on Kennebec's properties or operations; (ii) violate any judgment, order, injunction, decree or award against or binding upon Kennebec or upon the Kennebec Stock or other securities, property or business of Kennebec which would have a material adverse effect on Kennebec properties or operations; (iii) result in the creation of any material lien, charge or encumbrance upon the properties or assets of Kennebec or the Kennebec Stock, except as contemplated herein; or (iv) violate any law or regulation of any jurisdiction relating to Kennebec or the Kennebec Stock or other securities, property or business of Kennebec, assuming all required regulatory approvals have been obtained in connection with the transactions contemplated hereby.

3.11 Properties and Leases. Except as may be reflected in the Kennebec Financial Statements and except for any lien for current taxes not yet delinquent, Kennebec has good and marketable title free and clear of any material liens, claims, charges, options, encumbrances or similar restrictions to all the real and personal property reflected in the Kennebec Financial Statements and all real and personal property acquired since such date, except such real and personal property as has been disposed of in the ordinary course of business. All leases of real property and all other leases material to Kennebec pursuant to which Kennebec, as lessee, leases real or personal property are valid and effective in accordance with their respective terms, and there is not, under any such lease, any material existing default by Kennebec or any event which, with notice or lapse of time or both, would constitute such a material default.

3.12 Taxes. Kennebec has accurately and timely filed all federal, state, county, local and foreign income tax returns, including information returns, required to be filed by it, and has timely paid all income taxes owed by it, and no taxes shown on such returns to be owed by it or assessments received by it are delinquent. Kennebec is not a party to any pending action or proceeding, nor to Kennebec's knowledge is any such action or proceeding threatened by any governmental authority, for the assessment or collection of income taxes, interest or penalties. Kennebec has not executed or filed with any taxing authority any agreement extending the period for assessment or collection of any income taxes. Kennebec has paid all taxes owed or which it is required to withhold from amounts owing to its employees, creditors or other third parties. Any income tax liabilities, as determined in accordance with generally accepted accounting principles, are appropriately reflected in the Kennebec Financial Statements.

3.13 Commitments and Contracts. Kennebec is not a party or subject to any contract (whether written or oral, express or implied) not made in the ordinary course of business containing covenants which materially affect the ability of Kennebec to compete in any line of business or with any person or which involve any material

restriction of the geographical area in which, or method by which, Kennebec may carry on its business (other than as may be required by law or applicable regulatory authorities).

3.14 Insurance. Kennebec is presently insured and since the commencement of its business has been insured or self-insured, for reasonable amounts with financially sound and reputable insurance companies against such risks as companies engaged in a similar business would, in accordance with good business practice, customarily be insured and has maintained all insurance required by applicable law and regulation.

3.15 Licenses, Authorizations and Approvals. Kennebec has all permits, licenses, authorizations, orders and approvals of, and has made all filings, applications and registrations with, federal, state or local governmental or regulatory bodies that are required in order to permit it to own or lease its properties or assets and to carry on its business as presently conducted and that are material to the business of Kennebec; all such permits, licenses, certificates of authority, orders and approvals are in full force and effect, and, to the knowledge of Kennebec, no suspension or cancellation of any of them is threatened, and all such filings, applications and registrations are current. The conduct by Kennebec of its business and the condition and use of its properties does not violate or infringe, in any respect material to any such business, any applicable domestic (federal, state or local) or foreign law, statute, ordinance, license or regulation. Kennebec is not in material default under any order, license, regulation or demand of any federal, state, municipal or other governmental agency or with respect to any order, writ, injunction or decree of any court.

3.16 Labor. No work stoppage involving Kennebec is pending or, to the knowledge of Kennebec, threatened with or affected by any labor dispute, arbitration, lawsuit or administrative proceeding which could reasonably be expected to have a material adverse effect on Kennebec's business, operations, financial conditions or properties. Employees of Kennebec are not represented by any labor union nor are any collective bargaining agreements otherwise in effect with respect to such employees.

3.17 Defaults. Kennebec is not in default, nor has any event occurred which, with the passage of time or the giving of notice, or both, would constitute a default under any material agreement, indenture, loan agreement or other instrument to which it is a party or by which it or any of its assets are bound or to which any of its assets are subject, the result of which has had or could reasonably be expected to have a material adverse effect on Kennebec. To the best of Kennebec's knowledge, all parties with whom Kennebec has material leases, agreements or contracts or who owe to Kennebec material obligations other than with respect to those arising in the ordinary course of the business of Kennebec are in compliance therewith in all material respects.

3.18 Environmental Liability. (a) None of the assets of Kennebec (defined for purposes of this subsection (a) as the real property and tangible personal property owned or leased by Kennebec) contain any hazardous materials or hazardous substances, as such terms are defined or used in the Comprehensive Environmental Response, Compensation and Recovery Act of 1980, as amended, the Resource Conservation and Recovery Act of 1976, as amended, and all other federal, state and local laws, ordinances, rules, regulations, orders or determinations of any governmental authority now or hereafter pertaining to health or the environment, including, without limitation, petroleum products, friable asbestos and PCBs ("Hazardous Materials"), other than in such quantities which are incidental and customary for the maintenance and operation of such assets (e.g., cleaning fluids) ("Incidental Quantities");

(b) No notice or other communication has been made or issued by any governmental agency having jurisdiction over Kennebec's assets, or any other person, with respect to any alleged violation of any federal, state or local laws, rules, regulations, ordinances and codes governing Hazardous Materials and which are applicable to Kennebec's assets; and

(c) All Hazardous Materials which have been remediated from any assets of Kennebec prior to or during Kennebec's ownership of such assets have been handled in compliance with all applicable laws.

3.19 No Agreements With Management Except as set forth in this Agreement, neither Kennebec nor any other person or entity has contracts, agreements, arrangements or understandings, whether in writing, oral or tacit, with any officer, director, employee or agent of Kennebec, relating to this Agreement or the Buyer's acquisition of control of Kennebec.

3.20 No Brokers. Kennebec has not employed, or is subject to the valid claim of, any broker, finder, consultant or other intermediary in connection with the transactions contemplated by this Agreement who will be entitled to a fee or commission in connection with such transactions.

3.21 Undisclosed Liabilities. To the best knowledge of Kennebec, Kennebec has no material liabilities or obligations whatsoever, either accrued, absolute, contingent or otherwise, except those (i) set forth in the Kennebec Financial Statements and which have not heretofore been paid or discharged or (ii) incurred in or as a result of the normal and ordinary course of business, all of which have been consistent with past practices and none of which is material or unrecorded.

3.22. Employee Benefit Plans.

(a) *Inspection of Plans.* Kennebec has made available to Buyer for inspection all bonus, deferred compensation, pension, profit-sharing and retirement plans including without limitation any multiemployer plans as defined in Section 4001 (a)(3) of ERISA

and all health and life insurance and other welfare plans maintained by Kennebec or with respect to which Kennebec has any liability. Such plans and arrangements are referred to hereafter as the "Benefit Plans."

(b) *Compliance With Law.* To the best knowledge of Kennebec, (i) all Benefit Plans have been operated substantially in compliance with ERISA and other applicable laws; and (ii) all material reports have been filed with respect to the Benefit Plans in accordance with ERISA and the Internal Revenue Code.

3.23 Permits and Reports. Schedule 3.23 attached hereto sets forth a list of all permits, licenses, registrations, certificates, orders, approvals or other authorizations from any authority or other person including, without limitation, the Federal Communications Commission (the "FCC") and the South Dakota Public Utilities Commission (the "SDPUC") (collectively, the "Permits") issued to or held by Kennebec in connection with its operations. Such Permits are the only Permits that are required for Kennebec to conduct its business as presently conducted. Each such Permit is in full force and effect, and Kennebec has not received notice that any suspension, cancellation or modification of the terms of any such Permit is threatened. Kennebec is in full compliance in all material respects with the terms of each such Permit, and the Shareholders are not aware of any reason not set forth in said Permit why any such Permit would not be renewed, upon substantially the same terms as currently exist, upon expiration of such Permit. Except as set forth on Schedule 3.23, to the best of Shareholders' knowledge, (i) all returns, reports, applications, statements and other documents required to be filed by Kennebec with the FCC, the SDPUC and any other regulatory or governmental authority or municipality (including taxing authorities) with respect to the business on or before the date hereof have been duly filed or properly extended as permitted by law and are true and complete in all material respects, and (ii) all reporting requirements of the FCC, the SDPUC and other regulatory or governmental authorities or municipalities (including taxing authorities) have jurisdiction thereof have been complied with in all material respects.

3.24 Disclosure. Neither this Agreement nor any of the attachments, written statements, documents, certificates or other items prepared for or supplied to Buyer pursuant hereto by or on behalf of the Shareholders or Kennebec with respect to the transactions contemplated hereby contains any untrue statement of a material fact or omits any material fact necessary to make each statement contained herein or therein, in light of the circumstances under which they were made, not misleading.

Article 4 COVENANTS AND AGREEMENTS OF KENNEBEC

4.1 Changes in Articles of Incorporation or Bylaws. From the date hereof until Closing, there shall be no change in the Articles of Incorporation or Bylaws of Kennebec or in the authorized or issued capital stock of Kennebec, and Kennebec shall maintain its corporate existence and powers and shall use its reasonable best efforts to maintain the goodwill and employees of its business.

4.2 Issuance or Purchase of Securities. Kennebec shall not (i) issue any additional capital stock or other security, (ii) directly or indirectly redeem, exchange, purchase or otherwise acquire any shares of its capital stock; or (iii) issue to any person or entity any options, warrants or other rights to acquire any security of Kennebec.

4.3 Conduct of Business. From the date hereof until Closing, except with the prior approval of Buyer:

(a) The business of Kennebec shall be conducted in the same manner as presently being conducted and Kennebec shall refrain from entering into any transaction or contract other than in the ordinary course of business and shall not make any change in its methods of management, marketing, accounting or operation, except to the extent required by federal or state regulatory authorities;

(b) No written employment agreement or commitment to employees (including any commitment to pay retirement, severance or other benefits) shall be entered into by Kennebec;

(c) No increase shall be made in the compensation or compensation plans (including bonuses, commissions and fringe benefits) payable or to become payable to any officer, director or employee of Kennebec, except for those routine salary increases granted to employees in the ordinary course of business and consistent with the prior practices of Kennebec;

(d) Kennebec shall not (i) create or incur any indebtedness for borrowed money or create or incur any other indebtedness except in the normal and ordinary course of business; (ii) enter into or terminate any lease of real estate; (iii) create any subsidiary; (iv) release or create any liens or other security interest except for purchase money security interests granted in the normal ordinary course of business; (v) declare or pay a dividend, whether in cash or in-kind, except for such cash distributions mutually agreed to by the parties hereto and made on or before the Closing Date; or (vi) authorize or make any change in the capital structure of Kennebec;

(e) Kennebec shall not make any capital expenditure or capital expenditure commitment, or enter into any lease, as lessee, of capital equipment, except in the normal and ordinary course of business or as may be required by the SDPUC; and

(f) Kennebec shall not sell any asset or make any commitment relating to its assets other than in the normal and ordinary course of business.

4.4 Access to Properties. At all times prior to the Closing Date, Kennebec shall allow Buyer free and full access during reasonable business hours and after reasonable notice to Kennebec's properties, books and records, including, without

limitation, deeds, title commitments, leases, insurance policies, minute books, share certificate books, share registers, accounts, financial records and all other data that are reasonably required for Buyer to make such investigation as it may desire of the properties and financial condition and businesses of Kennebec.

4.5 Directors, Officers, Operations. Kennebec shall deliver to Buyer prior to Closing a list showing:

- (a) The names of the Kennebec directors and officers, registered agent and registered office;
- (b) The banks and financial institution in which Kennebec has an account or safe deposit box and the names of all persons authorized to draw thereon or to have access thereto; and
- (c) The names of all persons holding powers of attorney from Kennebec with copies thereof attached thereto.

Article 6
REGULATORY APPROVALS

6.1 Regulatory Approvals. Buyer shall obtain, at Kennebec's expense, all governmental consents and approvals required to carry out the transactions contemplated by this Agreement, including, without limitation, any necessary consents and approvals from the FCC and the SDPUC. Buyer shall use its best efforts to prepare and file all necessary regulatory notices, applications, requests and petitions within thirty (30) days after the date of this Agreement. Kennebec and the Shareholders agree to cooperate with Buyer in obtaining such consents and approvals.

Article 7
OTHER OBLIGATIONS

7.1 No Shopping. Kennebec and the Shareholders agree that, subject to compliance with any fiduciary duty, neither they nor any of their agents or affiliates will, during the period beginning on the date hereof and ending on the first to occur of (a) the Closing or (b) the termination of this Agreement, either (i) sell or arrange for the sale of the Kennebec Stock; (ii) negotiate, solicit, encourage or authorize any person to solicit from any third party any proposals relating to the disposition of the business or assets of Kennebec or the acquisition of the Kennebec Stock; or (iii) make any information concerning Kennebec or the Kennebec Stock available to any person for the purpose of affecting or causing a disposition of Kennebec assets or the Kennebec Stock.

Article 8
**CONDITIONS PRECEDENT TO OBLIGATIONS
OF KENNEBEC AND THE SHAREHOLDERS**

The obligations of Kennebec and the Shareholders under this Agreement are subject to the fulfillment prior to or on the Closing Date of the following conditions:

8.1 **Representations and Warranties.** Each of the representations and warranties of Buyer contained in this Agreement shall be accurate in all material respects as of the date hereof and as of the Closing Date, and Buyer shall have performed all covenants and agreements required to be performed by it and shall not be in default under any of the provisions of this Agreement at or prior to the Closing Date.

8.2 **Certificate.** A certificate, dated the Closing Date, signed by an officer of Buyer covering the provisions of Section 8.1 hereof shall have been provided.

8.3 **Consents and Approvals.** All consents, approvals, authorizations, permits, certificates and orders with respect to the transactions contemplated by this Agreement required from any person, entity, court or governmental agency or instrumentality (federal, state or local) shall have been obtained and shall be valid and in full force and effect, and no conditions, requirements or qualifications shall have been imposed by such consents, approvals, authorizations, permits, certificates or orders that, in the reasonable opinion of Kennebec and the Shareholders, are unduly burdensome to Kennebec or the Shareholders.

8.4 **Payment and Deliveries.** Buyer shall pay the Purchase Price in accordance with Article 2 and shall have delivered to each Shareholder a Note and a Security Agreement, and shall have delivered the Assignment of Policy as Collateral Security and the Partnership Security Agreement.

8.5 **Related Transaction.** The transaction contemplated by that certain Stock Redemption Agreement of even date herewith between Kennebec, as buyer and Delores Johnstone, as shareholder shall have closed or shall close simultaneously with the Closing of the transaction contemplated herein.

Article 9
CONDITIONS PRECEDENT TO OBLIGATIONS OF BUYER

The obligations of Buyer under this Agreement are subject to the fulfillment prior to or on the Closing Date of the following conditions.

9.1 **Representations and Warranties.** Each of the representations and warranties of Kennebec and the Shareholders contained in this Agreement shall be accurate in all material respects as of the date hereof and as of the Closing Date

(except to the extent that such representations and warranties shall be incorrect as of the Closing Date because of events or changes occurring after the date hereof in the ordinary course of business of Kennebec as contemplated in this Agreement); Kennebec and Shareholders shall advise Buyer in writing of any such resulting inaccuracies, and Kennebec and the Shareholders shall have performed all covenants and agreements required to be performed by them and shall not be in default under any of the provisions of this Agreement at or prior to the Closing Date.

9.2 **Certificate.** Buyer shall have received a certificate, dated the Closing Date, signed by Kennebec and the Shareholders covering the provisions of Section 9.1 hereof.

9.3 **Consents and Approvals.** All consents, approvals, authorizations, permits, certificates and orders with respect to the transactions contemplated by this Agreement required from any person, entity, court or governmental agency or instrumentality (federal, state or local) shall have been obtained and shall be valid and in full force and effect, and no conditions, requirements or qualifications shall have been imposed by such consents, approvals, authorizations, permits, certificates or orders that, in the reasonable opinion of Buyer, are unduly burdensome to Buyer or Kennebec.

9.4 **Surrender of Certificates Representing Kennebec Stock.** The Shareholders shall have surrendered to Buyer the certificates representing the issued Kennebec Stock, and such certificates shall be duly endorsed in blank or shall have duly executed blank stock powers attached thereto.

9.5 **No Material Adverse Change.** Since December 31, 1997 and through the Closing Date, there shall not have occurred any material adverse change in the business, operations, assets, liabilities or condition (financial or otherwise) of Kennebec.

9.6 **Related Transaction.** The transaction contemplated by that certain Stock Redemption Agreement of even date herewith between Kennebec, as buyer and DeLores Johnstone, as shareholder shall have closed or shall close simultaneously with the Closing of the transaction contemplated herein.

Article 10
TERMINATION

10.1 **Right of Termination.** This Agreement and the transactions contemplated herein may be terminated at any time prior to Closing:

- (a) By mutual written consent of Buyer and each of the Shareholders;
or

(b) By either of the Shareholders if Buyer breaches its obligations under Article 6 of this Agreement and the Shareholders shall have cooperated fully with Buyer in preparation of all required applications for approval; or

(c) By any of the Shareholders in the event that any of the conditions set forth in Article 8 of this Agreement shall not have been satisfied or waived and Closing shall not have occurred on or before December 31, 1998, or such later date as shall be agreed upon pursuant to Section 1.3 of this Agreement; or

(d) By Buyer in the event that any of the conditions set forth in Article 9 of this Agreement shall not have been satisfied or waived and Closing shall not have occurred on or before December 31, 1998, or such later date as shall be agreed upon pursuant to Section 1.3 of this Agreement.

10.2 Notice of Termination. Notice of termination of this Agreement as provided for in this Article 10 shall be given by the party or parties so terminating to the other parties hereto in accordance with the provisions of Section 11.4 of this Agreement.

Article 11 MISCELLANEOUS

11.1 Entire Agreement. This Agreement, together with the exhibits and attachments hereto, constitutes the entire agreement among the parties and supersedes all prior agreements, oral or written. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. Buyer may assign its rights and obligations hereunder to a direct or indirect wholly-owned subsidiary of Buyer, provided that Buyer shall remain liable for all its obligations hereunder if Buyer's assignee fails to perform such obligations.

11.2 Severability. If any severable provision of this Agreement is held to be invalid or unenforceable by any judgment of a court of competent jurisdiction, the remainder of this Agreement shall not be affected by such judgment, and the Agreement shall be carried out as nearly as possible according to its original terms and intent.

11.3 Expenses. Whether or not the Closing occurs, each party shall pay its own expenses incident to the preparation and performance of this Agreement and the transactions contemplated hereby.

11.4 Notice. Any notice, demand or other communication required or permitted by any provision of this Agreement shall be deemed to have been sufficiently given or served for all purposes when delivered in person or sent by facsimile transmission with telephone confirmation of receipt, overnight courier or registered or certified mail, return receipt requested, all postage and other charges prepaid, as follows:

If to Buyer:
Rod Bowar
P. O. Box 91
Kennebec, South Dakota 57544
Fax #: (605) 869-2221

If to Kennebec or Shareholders:
Kennebec Telephone Company, Inc.
P. O. Box 158, Main Street
Kennebec, South Dakota 57544
Attention: Delores Johnstone
Fax #: (605) 869-2221

or at such other address as may be designated by notice pursuant to this Section 11.4 from such party to the other party. Notice sent by overnight courier shall be deemed delivered on the business day immediately following deposit with such courier. Notice sent by facsimile transmission shall be deemed delivered on the day of transmission if a business day or if not a business day the first business day following the day of transmission. Notice sent by certified or registered mail shall be deemed delivered on the fifth day after deposit with the United States postal service.

11.5 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of South Dakota without regard to its governing law principles.

11.6 Captions. The captions appearing herein are for the convenience of the parties only and shall not be construed to affect the meaning of the provisions of this Agreement.

11.7 Amendment. This Agreement may be amended, modified, superseded or cancelled, and any of the terms, provisions, covenants, representations, warranties or conditions hereof may be waived, only by a written instrument executed by the parties hereto or, in the case of a waiver, by the party waiving compliance.

11.8 Waiver. The failure to enforce or to require the performance at any time of any of the provisions of this Agreement shall in no way be construed to be a waiver of such provisions and shall not affect either the validity of this Agreement or any part hereof or the right of any party thereafter to enforce each and every provision in accordance with the terms of this Agreement.

11.9 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same Agreement. This Agreement shall become effective when one or more counterparts shall have been signed by each of the parties and delivered to the other parties.

11.10 Incorporation by Reference. The exhibits and schedules referred to in this Agreement are hereby incorporated in this Agreement as a part hereof as if set forth in full herein.

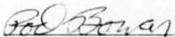
11.11 Damages; Specific Performance. No party hereto shall be liable to the other for any indirect, consequential, special, punitive or any other similar damages of any kind or nature arising in any manner from this Agreement and the performance or nonperformance of obligations hereunder. In the event of a breach of this Agreement, the parties acknowledge and agree that each of them shall, in addition to any other remedies available at law or in equity, have the right to seek specific performance by the other parties of their respective obligations hereunder.

11.12 Further Actions Following the Closing Date, at the request of Buyer, the Shareholders shall deliver such further instruments of transfer and take all reasonable action as may be necessary or appropriate to effectuate this Agreement and the transactions contemplated hereby. Each party will promptly notify the other party of any information delivered to or obtained by such party which would prevent the consummation of the transactions contemplated by this Agreement, or would indicate a breach of the representations, warranties or covenants of any of the parties to this Agreement.

11.13 Joint Publicity No party to this Agreement shall issue any press release or make a public announcement prior to or on the Closing Date concerning this Agreement or the transactions contemplated hereby without the prior approval of Buyer and each of the Shareholders, which approval shall not be unreasonably withheld.

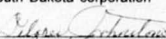
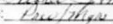
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IN WITNESS WHEREOF, the parties have executed this Agreement the day and year first above written.



ROD BOWAR

KENNEBEC TELEPHONE COMPANY, INC.,
a South Dakota corporation

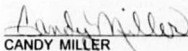
By: 
Title: 



DELORES JOHNSTONE

DAN JOHNSTONE

BRAD JOHNSTONE



CANDY MILLER

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

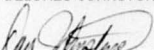
ROD BOWAR

KENNEBEC TELEPHONE COMPANY, INC.,
a South Dakota corporation

By: _____

Title: _____

DELORES JOHNSTONE



DAN JOHNSTONE

BRAD JOHNSTONE

CANDY MILLER

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

ROD BOWAR

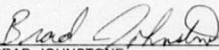
KENNEBEC TELEPHONE COMPANY, INC.,
a South Dakota corporation

By: _____

Title: _____

DELORES JOHNSTONE

DAN JOHNSTONE



BRAD JOHNSTONE

CANDY MILLER

#246245 02

TABLE OF EXHIBITS

Exhibit A Shareholders Percentage Interest
Exhibit B Form of Promissory Note
Exhibit C Form of Stock Pledge Agreement
Exhibit D Form of Assignment of Policy as Collateral Security
Exhibit E Form of Security Agreement and UCC Financing Statement

SCHEDULE 3.23

Permits and Reports

1. Approval for change of control from South Dakota Public Utilities Commission
2. Approval from Federal Communications Commission for change of control with respect to maintenance radio license

EXHIBIT A

Shareholders Percentage Interest

	<u># of Shares</u>	<u>Purchase Price</u>
1. Delores Johnstone	6	
2. Brad Johnstone	11	
3. Dan Johnstone	11	
4. Candy Miller	<u>11</u>	_____
Total	<u>39</u>	_____

PROMISSORY NOTE

Debtor	Rod Bowar	Date	1998
	P. O. Box 91	Maturity Date	2008
	Kennebec, SD 57544	Loan Amount	

FOR VALUE RECEIVED, the undersigned (the "Debtor"), promises to pay to the order of: Delores Johnstone (the "Creditor") the principal sum of

CALCULATION AND RATE OF INTEREST

Debtor promises to pay interest, calculated on the basis of actual days elapsed in a 365 day year, on the unpaid principal balance from the date hereof until maturity at the following rate:

an annual rate of eight (8)%, which rate shall be fixed until the fifth anniversary date hereof. From the fifth anniversary date until this Note is paid in full, subject to any post-maturity interest rate specified below, the annual interest rate shall be fixed at a rate equal to the prime rate minus $\frac{1}{2}$ % as reported in the Wall Street Journal effective for the fifth anniversary date.

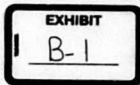
The unpaid principal and interest due on this Note at maturity (whether the Note matures by demand, acceleration, lapse of time or otherwise) shall bear interest until paid at the rate of 10% per annum.

PAYMENTS OF PRINCIPAL AND INTEREST

The Debtor promises to pay the principal and interest hereof as follows:

Principal and interest shall be paid together in 120 consecutive monthly installments, calculated on a fifteen (15) year amortization schedule, of \$_____ each, beginning, _____, 1998, and on the same day of each month thereafter until _____, 2008, when the entire unpaid principal and accrued and unpaid interest hereon shall become due and payable. Each such installment, when paid, shall be applied first in payment of accrued interest and the balance thereof shall be applied in reduction of principal.

Debtor may, at any time and from time to time, prepay this Note, without penalty or premium, but any partial prepayments shall not relieve or diminish any scheduled subsequent payments of principal or interest until all obligations are paid in full.



COLLATERAL

THIS NOTE IS SECURED BY a security interest in 6 shares of common stock of Kennebec Telephone Company, Inc. as evidenced by a Stock Pledge Agreement dated _____, 1998.

DEFAULT

Debtor shall be in default upon the occurrence of one or more of the following events:

1. Any payment of principal and/or interest hereunder is not paid when due, or any other indebtedness of Debtor to Creditor is not paid when due;
2. Any event of default shall occur under the Stock Pledge Agreement or other instrument securing this Note;
3. Debtor shall die, have a receiver appointed for all or any part of its property, become insolvent, or file or have filed against him any petition under any existing or future bankruptcy or insolvency law.

Upon the occurrence of one or more events of default, Creditor may, at its option, declare the entire unpaid balance of this Note to be immediately due and payable and thereupon the entire unpaid balance of this Note shall be immediately due and payable, together with all unpaid interest accrued hereon, without notice or demand. Upon the occurrence of one or more events of default, the Creditor shall also have the right to 1) demand additional security in lieu of asserting any other remedy; 2) use any remedy Creditor has under state or federal law; 3) use any remedy given to Creditor in the Stock Pledge Agreement.

ADDITIONAL TERMS

This Note shall be governed by the substantive laws of the state of South Dakota without regard to its conflicts of laws principles.

Unless prohibited by law, Debtor agrees to pay all costs of collection, including reasonable attorney's fees and legal expenses, incurred by Creditor in the event this Note is not duly paid.

Rod Bower

PROMISSORY NOTE

Debtor	Rod Bowar	Date	1998
	P. O. Box 91	Maturity Date	1998
	Kennebec, SD 57544	Loan Amount	

FOR VALUE RECEIVED, the undersigned (the "Debtor"), promises to pay to the order of: Candy Miller (the "Creditor") the principal sum of

CALCULATION AND RATE OF INTEREST

Debtor promises to pay interest, calculated on the basis of actual days elapsed in a 365 day year, on the unpaid principal balance from the date hereof until maturity at the following rate:

an annual rate of eight (8)%, which rate shall be fixed until the fifth anniversary date hereof. From the fifth anniversary date until this Note is paid in full, subject to any post-maturity interest rate specified below, the annual interest rate shall be fixed at a rate equal to the prime rate minus $\frac{1}{2}$ % as reported in the Wall Street Journal effective for the fifth anniversary date.

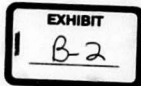
The unpaid principal and interest due on this Note at maturity (whether the Note matures by demand, acceleration, lapse of time or otherwise) shall bear interest until paid at the rate of 10% per annum.

PAYMENTS OF PRINCIPAL AND INTEREST

The Debtor promises to pay the principal and interest hereof as follows:

Principal and interest shall be paid together in 120 consecutive monthly installments, calculated on a fifteen (15) year amortization schedule, of \$ _____ each, beginning _____, 1998, and on the same day of each month thereafter until _____, 2008, when the entire unpaid principal and accrued and unpaid interest hereon shall become due and payable. Each such installment, when paid, shall be applied first in payment of accrued interest and the balance thereof shall be applied in reduction of principal.

Debtor may, at any time and from time to time, prepay this Note, without penalty or premium, but any partial prepayments shall not relieve or diminish any scheduled subsequent payments of principal or interest until all obligations are paid in full.



COLLATERAL

THIS NOTE IS SECURED BY a security interest in 11 shares of common stock of Kennebec Telephone Company, Inc. as evidenced by a Stock Pledge Agreement dated _____, 1998.

DEFAULT

Debtor shall be in default upon the occurrence of one or more of the following events:

1. Any payment of principal and/or interest hereunder is not paid when due, or any other indebtedness of Debtor to Creditor is not paid when due;
2. Any event of default shall occur under the Stock Pledge Agreement or other instrument securing this Note;
3. Debtor shall die, have a receiver appointed for all or any part of its property, become insolvent, or file or have filed against him any petition under any existing or future bankruptcy or insolvency law.

Upon the occurrence of one or more events of default, Creditor may, at its option, declare the entire unpaid balance of this Note to be immediately due and payable and thereupon the entire unpaid balance of this Note shall be immediately due and payable, together with all unpaid interest accrued hereon, without notice or demand. Upon the occurrence of one or more events of default, the Creditor shall also have the right to 1) demand additional security in lieu of asserting any other remedy; 2) use any remedy Creditor has under state or federal law; 3) use any remedy given to Creditor in the Stock Pledge Agreement.

ADDITIONAL TERMS

This Note shall be governed by the substantive laws of the state of South Dakota without regard to its conflicts of laws principles.

Unless prohibited by law, Debtor agrees to pay all costs of collection, including reasonable attorney's fees and legal expenses, incurred by Creditor in the event this Note is not duly paid.

Rod Bowar

PROMISSORY NOTE

Debtor	Rod Bowar	Date	1998
	P. O. Box 91	Maturity Date	2008
	Kennebec, SD 57544	Loan Amount	

FOR VALUE RECEIVED, the undersigned (the "Debtor"), promises to pay to the order of: Brad Johnstone (the "Creditor") the principal sum of

CALCULATION AND RATE OF INTEREST

Debtor promises to pay interest, calculated on the basis of actual days elapsed in a 365 day year, on the unpaid principal balance from the date hereof until maturity at the following rate:

an annual rate of eight (8)%, which rate shall be fixed until the fifth anniversary date hereof. From the fifth anniversary date until this Note is paid in full, subject to any post-maturity interest rate specified below, the annual interest rate shall be fixed at a rate equal to the prime rate minus ½% as reported in the Wall Street Journal effective for the fifth anniversary date.

The unpaid principal and interest due on this Note at maturity (whether the Note matures by demand, acceleration, lapse of time or otherwise) shall bear interest until paid at the rate of 10% per annum.

PAYMENTS OF PRINCIPAL AND INTEREST

The Debtor promises to pay the principal and interest hereof as follows:

Principal and interest shall be paid together in 120 consecutive monthly installments, calculated on a fifteen (15) year amortization schedule, of \$ _____ each, beginning, _____, 1998, and on the same day of each month thereafter until _____, 2008, when the entire unpaid principal and accrued and unpaid interest hereon shall become due and payable. Each such installment, when paid, shall be applied first in payment of accrued interest and the balance thereof shall be applied in reduction of principal.

Debtor may, at any time and from time to time, prepay this Note, without penalty or premium, but any partial prepayments shall not relieve or diminish any scheduled subsequent payments of principal or interest until all obligations are paid in full.

COLLATERAL

THIS NOTE IS SECURED BY a security interest in 11 shares of common stock of Kennebec Telephone Company, Inc. as evidenced by a Stock Pledge Agreement dated _____, 1998.

DEFAULT

Debtor shall be in default upon the occurrence of one or more of the following events:

1. Any payment of principal and/or interest hereunder is not paid when due, or any other indebtedness of Debtor to Creditor is not paid when due;
2. Any event of default shall occur under the Stock Pledge Agreement or other instrument securing this Note.
3. Debtor shall die, have a receiver appointed for all or any part of its property, become insolvent, or file or have filed against him any petition under any existing or future bankruptcy or insolvency law.

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Unless prohibited by law, Debtor agrees to pay all costs of collection, including reasonable attorney's fees and legal expenses, incurred by Creditor in the event this Note is not duly paid.

Rod Bowar

PROMISSORY NOTE

Debtor	Rod Bowar	Date	1998
	P. O. Box 91	Maturity	2008
	Kennebec, SD 57544	Loan Amount	

FOR VALUE RECEIVED, the undersigned (the "Debtor"), promises to pay to the order of Dan Johnstone (the "Creditor") the principal sum of

CALCULATION AND RATE OF INTEREST

Debtor promises to pay interest, calculated on the basis of actual days elapsed in a 365 day year, on the unpaid principal balance from the date hereof until maturity at the following rate:

an annual rate of eight (8)%, which rate shall be fixed until the fifth anniversary date hereof. From the fifth anniversary date until this Note is paid in full, subject to any post-maturity interest rate specified below, the annual interest rate shall be fixed at a rate equal to the prime rate minus ½% as reported in the Wall Street Journal effective for the fifth anniversary date.

The unpaid principal and interest due on this Note at maturity (whether the Note matures by demand, acceleration, lapse of time or otherwise) shall bear interest until paid at the rate of 10% per annum.

PAYMENTS OF PRINCIPAL AND INTEREST

The Debtor promises to pay the principal and interest hereof as follows:

Principal and interest shall be paid together in 120 consecutive monthly installments, calculated on a fifteen (15) year amortization schedule, of \$ _____ each, beginning, _____, 1998, and on the same day of each month thereafter until _____, 2008, when the entire unpaid principal and accrued and unpaid interest hereon shall become due and payable. Each such installment, when paid, shall be applied first in payment of accrued interest and the balance thereof shall be applied in reduction of principal.

Debtor may, at any time and from time to time, prepay this Note, without penalty or premium, but any partial prepayments shall not relieve or diminish any scheduled subsequent payments of principal or interest until all obligations are paid in full.



COLLATERAL

THIS NOTE IS SECURED BY a security interest in 11 shares of common stock of Kennebec Telephone Company, Inc. as evidenced by a Stock Pledge Agreement dated _____, 1998.

DEFAULT

Debtor shall be in default upon the occurrence of one or more of the following events:

1. Any payment of principal and/or interest hereunder is not paid when due, or any other indebtedness of Debtor to Creditor is not paid when due;
2. Any event of default shall occur under the Stock Pledge Agreement or other instrument securing this Note;
3. Debtor shall die, have a receiver appointed for all or any part of its property, become insolvent, or file or have filed against him any petition under any existing or future bankruptcy or insolvency law.

Upon the occurrence of one or more events of default, Creditor may, at its option, declare the entire unpaid balance of this Note to be immediately due and payable and thereupon the entire unpaid balance of this Note shall be immediately due and payable, together with all unpaid interest accrued hereon, without notice or demand. Upon the occurrence of one or more events of default, the Creditor shall also have the right to 1) demand additional security in lieu of asserting any other remedy; 2) use any remedy Creditor has under state or federal law; 3) use any remedy given to Creditor in the Stock Pledge Agreement.

ADDITIONAL TERMS

This Note shall be governed by the substantive laws of the state of South Dakota without regard to its conflicts of laws principles.

Unless prohibited by law, Debtor agrees to pay all costs of collection, including reasonable attorney's fees and legal expenses, incurred by Creditor in the event this Note is not duly paid.

Rod Bowar

STOCK PLEDGE AGREEMENT

THIS STOCK PLEDGE AGREEMENT is entered into as of _____, 1998, between Rod Bowar ("Pledgor") and Delores Johnstone, ("Shareholder").

WITNESSETH:

WHEREAS, Pledgor and Shareholder have entered into a Stock Purchase Agreement dated June 1, 1998 (the "Agreement") whereby Pledgor agrees to pledge 6 shares of the common stock of Kennebec Telephone Company, Inc. (the "Kennebec Stock") to Shareholder.

WHEREAS, the parties desire to evidence the pledge of such shares by this separate Stock Pledge Agreement.

NOW, THEREFORE, in consideration of the above premises, and other good and valuable consideration, Pledgor hereby pledges and grants a security interest in and to shares of the Kennebec Stock and all proceeds of such stock, including but not limited to, any additional shares which are generated as a result of any stock split or stock dividend (the "Collateral") to Shareholder, as collateral security for Pledgor's obligations described in Section 1.2 of the Agreement. Pledgor and Shareholder further agree that this pledge and security interest shall be subject to the following additional terms:

1. Delivery of Certain Items. Upon execution of this Stock Pledge Agreement, Shareholder shall retain possession of the certificate(s) evidencing the Kennebec Stock.
2. Taxes. Pledgor shall pay when due any and all taxes, assessments, and governmental charges levied upon the Collateral.
3. Financing Statements and Other Actions. Pledgor shall execute and deliver to Shareholder all stock powers, stock split agreements, financing statements, and other documents and do such other things from time to time requested by Shareholder in order to maintain a first perfected security interest in the Collateral in favor of Shareholder and to effect a transfer to a purchaser of the Collateral, or any part thereof, in the event of a sale pursuant to paragraph 6 herein.
4. Liens. Pledgor shall not create, incur or suffer to exist, any lien on the Collateral except the security interest created by this Agreement.

EXHIBIT

C-1

5. Disposition of Collateral. Pledgor shall not sell or otherwise dispose of all or any part of the Collateral.

6. Exercise of Rights in Collateral. After an Event of Default as defined in the Promissory Note occurs and is continuing, Shareholder may exercise any remedy she has under the terms of the Agreement, this Stock Pledge Agreement and any remedy she has under applicable law, including but not limited to the following. Shareholder may cause the Collateral, or any part thereof, to be sold at a public sale, in accordance with state law. Shareholder shall receive from such sale proceeds an amount sufficient to pay the balance on the Promissory Note in full. If such sale proceeds are insufficient to pay Shareholder in full, Pledgor shall remain liable to Shareholder for the deficiency. Notwithstanding any other provision of this Stock Pledge Agreement, Shareholder shall not have a right to transfer ownership of the Collateral to Shareholder, nor to be a purchaser of the Collateral at any sale thereof.

7. Possession of Collateral; Disclaimer. Beyond the exercise of reasonable care to assure the safe custody of the Kennebec Stock certificate(s) in the physical possession of Shareholder pursuant hereto, Shareholder shall have no duty or liability to collect any sums due in respect thereof or to protect, preserve, or exercise any rights pertaining thereto.

8. Payment in Full. Shareholder shall retain possession of the certificate(s) evidencing the Kennebec Stock until Shareholder receives payment of the full amount for the shares from Pledgor hereunder. Upon receipt of payment in full, Shareholder shall deliver to Pledgor the certificate(s) representing the Kennebec Stock, endorsed in blank for transfer.

9. Miscellaneous. This Agreement constitutes the entire agreement and understanding of the parties hereto and is a final expression of their agreement, and no evidence of oral or other written promises shall be binding. This Agreement shall be subject to and governed by the laws of the State of South Dakota without regard to its conflicts of laws principles. No amendment or modification of this Agreement shall be effective unless signed in writing by both parties. The headings of sections in this Agreement are for reference only and shall not effect the interpretation or construction of this Agreement. This Agreement shall be binding upon the parties hereto and their respective heirs, legal representatives and successors and permitted assigns. Each provision of this Agreement shall be viewed as separate and divisible. In the event any provision hereof shall be held to be invalid or unenforceable, the remaining provisions shall continue to be in full force and effect. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one in the same instrument.

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

ROD BOWAR, Pledgor

DELORES JOHNSTONE, Shareholder

263338

STOCK PLEDGE AGREEMENT

THIS STOCK PLEDGE AGREEMENT is entered into as of _____, 1998, between Candy Miller ("Pledgor") and Delores Johnstone, ("Shareholder").

WITNESSETH:

WHEREAS, Pledgor and Shareholder have entered into a Stock Purchase Agreement dated June 1, 1998 (the "Agreement") whereby Pledgor agrees to pledge 11 shares of the common stock of Kennebec Telephone Company, Inc. (the "Kennebec Stock") to Shareholder.

WHEREAS, the parties desire to evidence the pledge of such shares by this separate Stock Pledge Agreement.

NOW, THEREFORE, in consideration of the above premises, and other good and valuable consideration, Pledgor hereby pledges and grants a security interest in and to shares of the Kennebec Stock and all proceeds of such stock, including but not limited to, any additional shares which are generated as a result of any stock split or stock dividend (the "Collateral") to Shareholder, as collateral security for Pledgor's obligations described in Section 1.2 of the Agreement. Pledgor and Shareholder further agree that this pledge and security interest shall be subject to the following additional terms:

1. Delivery of Certain Items. Upon execution of this Stock Pledge Agreement, Shareholder shall retain possession of the certificate(s) evidencing the Kennebec Stock.
2. Taxes. Pledgor shall pay when due any and all taxes, assessments, and governmental charges levied upon the Collateral.
3. Financing Statements and Other Actions. Pledgor shall execute and deliver to Shareholder all stock powers, stock split agreements, financing statements, and other documents and do such other things from time to time requested by Shareholder in order to maintain a first perfected security interest in the Collateral in favor of Shareholder and to effect a transfer to a purchaser of the Collateral, or any part thereof, in the event of a sale pursuant to paragraph 6 herein.
4. Liens. Pledgor shall not create, incur or suffer to exist, any lien on the Collateral except the security interest created by this Agreement.

EXHIBIT

C-2

5. Disposition of Collateral. Pledgor shall not sell or otherwise dispose of all or any part of the Collateral.

6. Exercise of Rights in Collateral. After an Event of Default as defined in the Promissory Note occurs and is continuing, Shareholder may exercise any remedy she has under the terms of the Agreement, this Stock Pledge Agreement and any remedy she has under applicable law, including but not limited to the following. Shareholder may cause the Collateral, or any part thereof, to be sold at a public sale, in accordance with state law. Shareholder shall receive from such sale proceeds an amount sufficient to pay the balance on the Promissory Note in full. If such sale proceeds are insufficient to pay Shareholder in full, Pledgor shall remain liable to Shareholder for the deficiency. Notwithstanding any other provision of this Stock Pledge Agreement, Shareholder shall not have a right to transfer ownership of the Collateral to Shareholder, nor to be a purchaser of the Collateral at any sale thereof.

7. Possession of Collateral; Disclaimer. Beyond the exercise of reasonable care to assure the safe custody of the Kennebec Stock certificate(s) in the physical possession of Shareholder pursuant hereto, Shareholder shall have no duty or liability to collect any sums due in respect thereof or to protect, preserve, or exercise any rights pertaining thereto.

8. Payment in Full. Shareholder shall retain possession of the certificate(s) evidencing the Kennebec Stock until Shareholder receives payment of the full amount for the shares from Pledgor hereunder. Upon receipt of payment in full, Shareholder shall deliver to Pledgor the certificate(s) representing the Kennebec Stock, endorsed in blank for transfer.

9. Miscellaneous. This Agreement constitutes the entire agreement and understanding of the parties hereto and is a final expression of their agreement, and no evidence of oral or other written promises shall be binding. This Agreement shall be subject to and governed by the laws of the State of South Dakota without regard to its conflicts of laws principles. No amendment or modification of this Agreement shall be effective unless signed in writing by both parties. The headings of sections in this Agreement are for reference only and shall not effect the interpretation or construction of this Agreement. This Agreement shall be binding upon the parties hereto and their respective heirs, legal representatives and successors and permitted assigns. Each provision of this Agreement shall be viewed as separate and divisible. In the event any provision hereof shall be held to be invalid or unenforceable, the remaining provisions shall continue to be in full force and effect. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one in the same instrument.

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

CANDY MILLER, Pledgor

DELORES JOHNSTONE, Shareholder

271313

STOCK PLEDGE AGREEMENT

THIS STOCK PLEDGE AGREEMENT is entered into as of _____, 1998, between Brad Johnstone ("Pledgor") and Delores Johnstone, ("Shareholder").

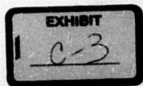
WITNESSETH:

WHEREAS, Pledgor and Shareholder have entered into a Stock Purchase Agreement dated June 1, 1998 (the "Agreement") whereby Pledgor agrees to pledge 11 shares of the common stock of Kennebec Telephone Company, Inc. (the "Kennebec Stock") to Shareholder.

WHEREAS, the parties desire to evidence the pledge of such shares by this separate Stock Pledge Agreement.

NOW, THEREFORE, in consideration of the above premises, and other good and valuable consideration, Pledgor hereby pledges and grants a security interest in and to shares of the Kennebec Stock and all proceeds of such stock, including but not limited to, any additional shares which are generated as a result of any stock split or stock dividend (the "Collateral") to Shareholder, as collateral security for Pledgor's obligations described in Section 1.2 of the Agreement. Pledgor and Shareholder further agree that this pledge and security interest shall be subject to the following additional terms:

1. Delivery of Certain Items. Upon execution of this Stock Pledge Agreement, Shareholder shall retain possession of the certificate(s) evidencing the Kennebec Stock.
2. Taxes. Pledgor shall pay when due any and all taxes, assessments, and governmental charges levied upon the Collateral.
3. Financing Statements and Other Actions. Pledgor shall execute and deliver to Shareholder all stock powers, stock split agreements, financing statements, and other documents and do such other things from time to time requested by Shareholder in order to maintain a first perfected security interest in the Collateral in favor of Shareholder and to effect a transfer to a purchaser of the Collateral, or any part thereof, in the event of a sale pursuant to paragraph 6 herein.
4. Liens. Pledgor shall not create, incur or suffer to exist, any lien on the Collateral except the security interest created by this Agreement.



5. Disposition of Collateral. Pledgor shall not sell or otherwise dispose of all or any part of the Collateral.

6. Exercise of Rights in Collateral. After an Event of Default as defined in the Promissory Note occurs and is continuing, Shareholder may exercise any remedy she has under the terms of the Agreement, this Stock Pledge Agreement and any remedy she has under applicable law, including but not limited to the following. Shareholder may cause the Collateral, or any part thereof, to be sold at a public sale, in accordance with state law. Shareholder shall receive from such sale proceeds an amount sufficient to pay the balance on the Promissory Note in full. If such sale proceeds are insufficient to pay Shareholder in full, Pledgor shall remain liable to Shareholder for the deficiency. Notwithstanding any other provision of this Stock Pledge Agreement, Shareholder shall not have a right to transfer ownership of the Collateral to Shareholder, nor to be a purchaser of the Collateral at any sale thereof.

7. Possession of Collateral; Disclaimer. Beyond the exercise of reasonable care to assure the safe custody of the Kennebec Stock certificate(s) in the physical possession of Shareholder pursuant hereto, Shareholder shall have no duty or liability to collect any sums due in respect thereof or to protect, preserve, or exercise any rights pertaining thereto.

8. Payment in Full. Shareholder shall retain possession of the certificate(s) evidencing the Kennebec Stock until Shareholder receives payment of the full amount for the shares from Pledgor hereunder. Upon receipt of payment in full, Shareholder shall deliver to Pledgor the certificate(s) representing the Kennebec Stock, endorsed in blank for transfer.

9. Miscellaneous. This Agreement constitutes the entire agreement and understanding of the parties hereto and is a final expression of their agreement, and no evidence of oral or other written promises shall be binding. This Agreement shall be subject to and governed by the laws of the State of South Dakota without regard to its conflicts of laws principles. No amendment or modification of this Agreement shall be effective unless signed in writing by both parties. The headings of sections in this Agreement are for reference only and shall not effect the interpretation or construction of this Agreement. This Agreement shall be binding upon the parties hereto and their respective heirs, legal representatives and successors and permitted assigns. Each provision of this Agreement shall be viewed as separate and divisible. In the event any provision hereof shall be held to be invalid or unenforceable, the remaining provisions shall continue to be in full force and effect. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one in the same instrument.

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

BRAD JOHNSTONE, Pledgor

DELORES JOHNSTONE, Shareholder

271319

STOCK PLEDGE AGREEMENT

THIS STOCK PLEDGE AGREEMENT is entered into as of _____, 1998, between Dan Johnstone ("Pledgor") and Delores Johnstone, ("Shareholder").

WITNESSETH:

WHEREAS, Pledgor and Shareholder have entered into a Stock Purchase Agreement dated June 1, 1998 (the "Agreement") whereby Pledgor agrees to pledge 11 shares of the common stock of Kennebec Telephone Company, Inc. (the "Kennebec Stock") to Shareholder.

WHEREAS, the parties desire to evidence the pledge of such shares by this separate Stock Pledge Agreement.

NOW, THEREFORE, in consideration of the above premises, and other good and valuable consideration, Pledgor hereby pledges and grants a security interest in and to shares of the Kennebec Stock and all proceeds of such stock, including but not limited to, any additional shares which are generated as a result of any stock split or stock dividend (the "Collateral") to Shareholder, as collateral security for Pledgor's obligations described in Section 1.2 of the Agreement. Pledgor and Shareholder further agree that this pledge and security interest shall be subject to the following additional terms:

1. Delivery of Certain Items. Upon execution of this Stock Pledge Agreement, Shareholder shall retain possession of the certificate(s) evidencing the Kennebec Stock.
2. Taxes. Pledgor shall pay when due any and all taxes, assessments, and governmental charges levied upon the Collateral.
3. Financing Statements and Other Actions. Pledgor shall execute and deliver to Shareholder all stock powers, stock split agreements, financing statements, and other documents and do such other things from time to time requested by Shareholder in order to maintain a first perfected security interest in the Collateral in favor of Shareholder and to effect a transfer to a purchaser of the Collateral, or any part thereof, in the event of a sale pursuant to paragraph 6 herein.
4. Liens. Pledgor shall not create, incur or suffer to exist, any lien on the Collateral except the security interest created by this Agreement.

EXHIBIT

C-4

5. Disposition of Collateral. Pledgor shall not sell or otherwise dispose of all or any part of the Collateral.

6. Exercise of Rights in Collateral. After an Event of Default as defined in the Promissory Note occurs and is continuing, Shareholder may exercise any remedy she has under the terms of the Agreement, this Stock Pledge Agreement and any remedy she has under applicable law, including but not limited to the following. Shareholder may cause the Collateral, or any part thereof, to be sold at a public sale, in accordance with state law. Shareholder shall receive from such sale proceeds an amount sufficient to pay the balance on the Promissory Note in full. If such sale proceeds are insufficient to pay Shareholder in full, Pledgor shall remain liable to Shareholder for the deficiency. Notwithstanding any other provision of this Stock Pledge Agreement, Shareholder shall not have a right to transfer ownership of the Collateral to Shareholder, nor to be a purchaser of the Collateral at any sale thereof.

7. Possession of Collateral, Disclaimer. Beyond the exercise of reasonable care to assure the safe custody of the Kennebec Stock certificate(s) in the physical possession of Shareholder pursuant hereto, Shareholder shall have no duty or liability to collect any sums due in respect thereof or to protect, preserve, or exercise any rights pertaining thereto.

8. Payment in Full. Shareholder shall retain possession of the certificate(s) evidencing the Kennebec Stock until Shareholder receives payment of the full amount for the shares from Pledgor hereunder. Upon receipt of payment in full, Shareholder shall deliver to Pledgor the certificate(s) representing the Kennebec Stock, endorsed in blank for transfer.

9. Miscellaneous. This Agreement constitutes the entire agreement and understanding of the parties hereto and is a final expression of their agreement, and no evidence of oral or other written promises shall be binding. This Agreement shall be subject to and governed by the laws of the State of South Dakota without regard to its conflicts of laws principles. No amendment or modification of this Agreement shall be effective unless signed in writing by both parties. The headings of sections in this Agreement are for reference only and shall not effect the interpretation or construction of this Agreement. This Agreement shall be binding upon the parties hereto and their respective heirs, legal representatives and successors and permitted assigns. Each provision of this Agreement shall be viewed as separate and divisible. In the event any provision hereof shall be held to be invalid or unenforceable, the remaining provisions shall continue to be in full force and effect. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one in the same instrument.

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

DAN JOHNSTONE, Pledgor

DELORES JOHNSTONE, Shareholder

271322

**FIRST PENN-PACIFIC
LIFE INSURANCE COMPANY**

ASSIGNMENT OF POLICY AS COLLATERAL SECURITY

I, For Value Received, the undersigned assign, transfer and set over to _____

of _____

(herein called the "Assignee", _____ executors, administrators, successors or assigns, Policy

No. _____ issued on the life of _____

(herein called the "Insured") by the First Penn-Pacific Life Insurance Company of Oakbrook Terrace, Illinois (herein called the "Insurer") and all rights, title and interest therein and thereunder (except as provided herein) subject to the terms and conditions of the Policy and all superior liens, if any, which the Insurer may have against the Policy.

**PLEASE SEE THE BACK OF THIS FORM FOR ADDITIONAL PROVISIONS RELATED TO
THIS ASSIGNMENT OF THE POLICY AS COLLATERAL SECURITY**

Signed and sealed this _____ day of _____, 19 _____.

(L.S.)

Witness

Owner*

Address

Witness

Address

County of _____
State of _____ } S.S.

On the _____ day of _____, 19 _____

before me personally appeared _____

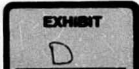
to me known to be the identical person _____ described in and who executed the above assignment and acknowledged to me that the execution of same was _____ free act and deed for the purposes therein specified.

Notary Public

My commission expires _____, 19 _____

The spouse, if any, must sign if the policy was issued to or is owned by a resident of Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, or Wisconsin.

* For corporations, add signature and title of another officer or affix corporate seal.



UNIFORM COMMERCIAL CODE
One F.I.C.

UNIFORM COMMERCIAL CODE--FINANCING STATEMENT--FORM UCC-1

The FINANCING STATEMENT is generated to a Filing Office
for filing pursuant to the Uniform Commercial Code.

No. of Additional
Shells Permitted

Maturity Date
3. (Optional):

1. Debtor(s) (Last Name First) and Address(es):

2. Secured Party(ies) Name(s) and Address(es):

4. For Filing Office: Time, Date,
No., Filing Office

Social Security No. _____

Federal I.D. No. _____

5. The Financing Statement Covers the Following Types (or Items) of Property:

All of Debtor's right, title and interest in Kennebec CATV
Company, a South Dakota general partnership and general
intangibles

Proceeds -

Products of the Collateral are Also Covered

6. To be Recorded in Real
Estate Mortgage Records

7. Description of Real Estate:

8. Name(s) of
Record
Owner(s):

10. This statement is filed without the debtor's signature to perfect a security interest in collateral
(check if so)

- already subject to a security interest in another jurisdiction when it was brought into this state, or
 which a proceeds of the following described original collateral which was perfected.

9. Assignment of Secured Party and Address(es):

By _____

Signature of Debtor(s)

By _____

Signature of Secured Party

FORM 801

(1) FILING OFFICER COPY

EXHIBIT

E

SECURITY AGREEMENT (for Agriculture or Business)

SECURITY AGREEMENT (for Agriculture or Business)

Date 19

Debtor Secured Party
Social Security/I.D. Number Address
City, State & Zip City, State & Zip

1. Debtor hereby grants to Secured Party a security interest in the following property, whether now owned or hereafter acquired, (hereinafter referred to as the "Collateral"). Check applicable boxes.

INVENTORY

All inventory of Debtor, including but not limited to all goods, merchandise, and other personal property that are held for sale or lease, or are furnished or to be furnished, purchase, exchange and issue thereof, all feed, both hay and grain owned by Debtor, all water privileges, all equipment used in feeding and handling said livestock, all of Debtor's rights, title and interest in all contracts and leases covering lands...

EQUIPMENT

All equipment of Debtor, including but not limited to all machinery, vehicles, furniture, fixtures, manufacturing equipment, farm machinery and equipment, shop equipment, office and recording equipment, parts, and tools.

FARM PRODUCTS

All farm products of Debtor, including but not limited to 1) all poultry and livestock, 2) all feed, seed fertilizer, medicines and other supplies used or produced by Debtor in farming operations, 3) all crops, and 4) all crop insurance payments. "Livestock" includes but is not limited to all products, natural increase, purchase, exchange and issue thereof, all feed, both hay and grain owned by Debtor, all water privileges, all equipment used in feeding and handling said livestock, all of Debtor's rights, title and interest in all contracts and leases covering lands...

ACCOUNTS AND RIGHTS TO PAYMENT

Each and every right of Debtor to the payment of money, whether such right to payment now exists or hereafter arises, whether such right to payment arises out of a sale, lease, or other disposition of goods or other property by Debtor, out of a rendering of service by Debtor, out of a loan by Debtor, out of the overpayment of taxes or other liabilities of Debtor, or otherwise arising under any contract or agreement whether such right to payment is or is not already named by performance, and however such right to payment may be evidenced, together with all other rights and interest (including all items and security interests) which Debtor may at any time have by law or agreement against any account debtor or other obligor intended to make such payment or against any of the property of such account debtor or other obligor, all including but not limited to all present and future debt instruments, chattel papers, accounts, contract rights, insurance proceeds, choses in action, loans and obligations receivable and tax refunds.

GENERAL INTANGIBLES

All general intangibles of Debtor, including but not limited to applications for patents, copyrights, trademarks, trade secrets, goodwill, trade names, customers' lists, permits and franchises and the right to use Debtor's name

MISCELLANEOUS

Debtor's right, title and interest in Kennebec CATV Company, a South Dakota general partnership

together with all substitutions and replacements for and products of any of the foregoing property and together with proceeds of any and all of the foregoing property and all improvements, accessions, additions to, accessories, attachments, parts, and repairs now or hereafter attached or affixed to or used in connection with any such property

2. If the Collateral includes crops or fixtures, it is and will be located on the following real estate

If other than Debtor, the name and address of the record owner(s) of the above described real estate

3. The security interest granted hereunder is given to secure the payment and performance of each and every debt, liability and obligation of every type and description which Debtor may now or at any time hereafter owe to Secured Party [whether such debt, liability or obligation now exists or is hereafter created or incurred, whether it is currently contemplated by the Debtor and Secured Party, whether for payment or performance, and whether evidenced by any instrument, contract, or book account, and whether any documents reducing it make a Security Agreement, and whether it is or may be direct or indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated, or joint, several or joint and several.] All such debts, liabilities and obligations are hereinafter collectively referred to as the "Obligations"

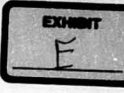
4. Debtor is [] an individual(s) [] an individual(s) doing business as a proprietorship [] a partnership [] a corporation, or [] (other)

5. If more than one person has signed this Security Agreement as Debtor, the term "Debtor" shall refer to each of them separately and to both or all of them jointly, all such persons shall be bound both severally and jointly with the others, and all of their obligations and liabilities and all of their rights and obligations shall be deemed to be the obligations and liabilities of Debtor, whether or not such persons are jointly or severally, and all property in Section 1 shall be included as Collateral, whether it is owned jointly by both or all of the Debtors or is owned in whole or in part by one or more of them. In the event Debtor is a corporation, the persons who sign(s) this Agreement on behalf of the Corporation represents and warrants that the Debtor is a duly organized and existing Corporation, and is duly qualified and in good standing. It is further represented and warranted by said person(s) that the execution, delivery and performance hereof are within Debtor's corporate powers, resolutions, or any agreement or undertaking to which Debtor is a party, or by which it is bound. If Debtor is a partnership, the partner(s) executing this Agreement, authorized, and are not in contravention of law or the terms of any of the Debtor's articles, Charter, Bylaws, other incorporation papers, resolutions, or any agreement or undertaking to which Debtor is a party, or by which it is bound. If Debtor is a partnership, the partner(s) executing this Agreement, authorized, and are not in contravention of law or the terms of any of the Debtor's articles, Charter, Bylaws, other incorporation papers, resolutions, or any agreement or undertaking to which Debtor is a party, or by which it is bound.

DEBTOR AGREES THAT HE HAS READ THIS AGREEMENT AND THAT THIS AGREEMENT INCLUDES AND IS SUBJECT TO THE ADDITIONAL PROVISIONS SET FORTH ON THE REVERSE SIDE HEREOF. SUCH PROVISIONS BEING INCORPORATED HEREIN BY THIS REFERENCE.

SECURED PARTY The Debtor hereby acknowledges receipt of a copy of this document.

DEBTOR



APPLICABLE LAW - This Agreement is governed by the laws of the State of Nebraska, including but not limited to the Nebraska Uniform Commercial Code and any applicable Nebraska law.
ADDITIONAL PROVISIONS
1. Assignment - This Agreement shall be binding on the Debtor and its successors and assigns, including but not limited to the Nebraska Uniform Commercial Code and any applicable Nebraska law.
2. Choice of Law - This Agreement is governed by the laws of the State of Nebraska, including but not limited to the Nebraska Uniform Commercial Code and any applicable Nebraska law.
3. Waiver - Debtor hereby waives any and all rights to demand or require a copy of this Security Agreement to be recorded in the public records of any jurisdiction.
4. Remedies - In addition to the remedies available at law and in equity, Secured Party shall have the right to repossess, sell, lease, or otherwise dispose of the Collateral in its sole discretion, without the need for a court order, and without the need to give notice to Debtor or any other party.
5. Additional Covenants - Debtor shall not, without the prior written consent of Secured Party, create, incur, or guarantee any other debt, liability, or obligation of any type or description which may be secured by any property of Debtor, whether such debt, liability, or obligation is or may be direct or indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated, or joint, several or joint and several.
6. Entire Agreement - This Security Agreement, together with the Collateral, constitutes the entire agreement between Debtor and Secured Party, and supersedes all other agreements, understandings, or negotiations between them, whether written or oral, made prior to or contemporaneous with the execution of this Security Agreement.
7. Severability - If any provision of this Security Agreement is held to be unenforceable, the remainder of this Security Agreement shall remain in full force and effect.
8. Counterparts - This Security Agreement may be executed in counterparts, each of which shall be deemed to be an original copy of this Security Agreement, and all of which taken together shall be deemed to constitute one and the same Security Agreement.
9. Notices - All notices under this Security Agreement shall be in writing and shall be given to the Debtor at the address set forth in Section 1 hereof, or to any other address which Debtor may in writing designate to Secured Party.
10. Assignment of Receivables - Debtor hereby assigns to Secured Party all of its rights to receive payment of any and all accounts, notes, or other receivables, whether or not such receivables are now due or to become due, and whether or not such receivables are secured by any property of Debtor.
11. Waiver of Defenses - Debtor hereby waives any and all defenses, claims, or counterclaims which Debtor may have against Secured Party, whether such defenses, claims, or counterclaims are or may be direct or indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated, or joint, several or joint and several.
12. Assignment of Rights - Debtor hereby assigns to Secured Party all of its rights, title, and interest in any and all contracts, agreements, or other instruments which Debtor may have entered into with any third party, whether such contracts, agreements, or other instruments are or may be direct or indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated, or joint, several or joint and several.
13. Waiver of Rights - Debtor hereby waives any and all rights, claims, or counterclaims which Debtor may have against Secured Party, whether such rights, claims, or counterclaims are or may be direct or indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated, or joint, several or joint and several.
14. Assignment of Insurance - Debtor hereby assigns to Secured Party all of its rights, title, and interest in any and all insurance policies, contracts, or other instruments which Debtor may have entered into, whether such insurance policies, contracts, or other instruments are or may be direct or indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated, or joint, several or joint and several.
15. Waiver of Rights - Debtor hereby waives any and all rights, claims, or counterclaims which Debtor may have against Secured Party, whether such rights, claims, or counterclaims are or may be direct or indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated, or joint, several or joint and several.

STOCK REDEMPTION AGREEMENT

THIS STOCK REDEMPTION AGREEMENT (the "Agreement") is made as of June 1, 1998, between Kennebec Telephone Company, Inc., a South Dakota corporation whose principal place of business is located at Main Street, Kennebec, South Dakota (the "Corporation"), and Delores Johnstone (the "Shareholder").

WHEREAS, the Shareholder has previously sold six (6) shares of the issued and outstanding shares of common stock, par value \$100 per share (the "Common Stock"), of the Corporation, and is the individual beneficial and record owner of only thirty-three (33) shares of common stock as of the date hereof;

WHEREAS, the Shareholder's children have each previously sold eleven (11) shares of common stock of the Corporation, which represented 100% of their respective equity interest in the Corporation; and

WHEREAS, the Corporation desires to redeem the thirty-three (33) shares (the "Shares") of Common Stock on the terms and subject to the conditions set forth below; and

WHEREAS, the Shareholder desires that the Shares be redeemed by the Corporation on the terms and subject to the conditions set forth below;

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements herein contained, the parties agree as follows:

1. REDEMPTION OF STOCK

1.1 **Stock to be Redeemed.** In accordance with the terms and conditions of this Agreement, the parties hereby agree that at the Closing (as defined below) the Shareholder shall surrender, convey, transfer, assign and deliver to the Corporation, free and clear of all liens, encumbrances, equities and claims of any nature whatsoever, and the Corporation shall redeem, acquire, accept and purchase the Shares upon payment by Corporation of (the "Redemption Price") to Shareholder, which amount shall be payable in two installments as described below in Section 1.2. On the Closing Date (as defined below), Shareholder shall deliver certificates representing the Shares to the Corporation, with each certificate being endorsed in blank for transfer, or as otherwise determined by the Corporation, and in form and substance reasonably satisfactory to the Corporation.

1.2 **Payment of Redemption Price.** In consideration for Shareholder's conveyance and surrender of the Shares to the Corporation, at Closing (as defined below) Corporation shall pay 50% of the Redemption Price at Closing and 50% of the Redemption Price on the first anniversary date of the Closing. Each such payment

shall be paid by wire transfer of immediately available funds and by transferring and assigning to Shareholder all the Corporation's right, title and interest in and to certain securities owned by the Corporation. The percentage of the Redemption Price payable in cash and in securities shall be determined by mutual agreement of the parties.

1.3 **General Release.** In consideration for the transaction contemplated herein, the Shareholder and the Corporation each hereby release, waive and forever discharge any claims, now or hereafter existing, that either party has against the other, its officers and directors arising from, connected with or in any manner related to this Agreement.

1.4 **Closing.** The consummation of the transaction contemplated hereunder (the "Closing") shall take place at the offices of the Corporation, Main Street, Kennebec, South Dakota, at 10:00 a.m., local time, on September 30, 1998, or at such other time and place as Corporation and Shareholder may mutually agree (the "Closing Date"). The parties shall deem the Closing effective as of 11:59 p.m. on the Closing Date.

2. COVENANTS OF THE PARTIES

2.1 **Expenses.** Each party shall be solely and individually responsible and liable for the expenses and costs, including attorneys' and accountants' fees, separately incurred by each party in connection with this Agreement and the transactions contemplated hereby.

2.2 **Information Returns.** The parties hereto agree to file all information returns that may be required by federal and state tax laws or regulations as a result of the transactions consummated under this Agreement at such time and in such manner as may be required by such laws or regulations, and in a manner consistent with the treatment afforded such transactions by the Corporation in any information returns that it may file with respect to these transactions.

2.3 **Tax Consequences of Sale.** Each party agrees that neither party has made any warranty or representation regarding the tax consequences of the transaction contemplated by this Agreement and each party shall be solely responsible and liable for the payment of their respective federal, state, and /or local taxes incurred as a result of the redemption of the Shares.

3. REPRESENTATIONS AND WARRANTIES

3.1 **Title to Shares.** The Shareholder represents and warrants that she is the sole, individual beneficial and record owner of the Shares and that she possesses good valid title to such Shares, free and clear of any liens, claims, pledges and encumbrances of any nature whatsoever. The Shareholder further represents and

warrants she has full and complete unrestricted power and authority to individually transfer, convey and surrender the Shares to the Corporation and no approval or consent of any third party is required to consummate such transfer, conveyance and surrender.

3.2 **Regulatory Approval.** Corporation represents and warrants that as of the Closing Date, it shall have given all notices to and have obtained from all state and federal regulatory authorities any approvals, consents, permits and authorizations required in order to consummate the transactions contemplated in accordance with this Agreement.

4. MISCELLANEOUS PROVISIONS

4.1 **Amendment and Modification.** Subject to applicable law, this Agreement may be amended, modified or supplemented only by a written agreement signed by the Shareholder and a duly authorized officer of the Corporation.

4.2 **Headings.** The article and section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the parties and shall not affect in any way the meaning or interpretation of this Agreement.

4.3 **Arm's Length Negotiation; Entire Agreement.** This Agreement has been negotiated at arms' length by and between parties sophisticated and knowledgeable in the matters dealt with in this Agreement. This Agreement embodies the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, representations, warranties, covenants, or undertakings, other than those expressly set forth or referred to herein, and this Agreement supersedes all other prior agreements and understandings between the parties with respect to the subject matter hereof. This Agreement and all the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, administrators, executors, successors and permitted assigns.

4.4 **Governing Law.** This Agreement shall be governed by the laws of the State of South Dakota, excluding its conflicts of laws principles, as to all matters, including but not limited to, matters of validity, construction, effect, performance and remedies.

4.5 **Severability.** The unenforceability or invalidity of any section, subsection or provision of this Agreement shall not affect the enforceability or validity of all of the provisions of this Agreement.

4.6 Waiver. No failure on the part of either party to exercise, and no delay in exercising, any right, power or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy by such party preclude any other or further exercise thereof or the exercise of any right, power or remedy.

4.7 Additional Agreements; Further Assurances. Subject to the terms and conditions herein provided, the parties hereto agree to use their respective best efforts to take, or cause to be taken all actions, and to do, or cause to be done all things necessary, proper, or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement. In case at any time after the Closing any further action is necessary or desirable to carry out the purposes of this Agreement, the individuals who are parties to this Agreement shall take all such necessary action.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

KENNEBEC TELEPHONE COMPANY, INC.

By: _____
Rod Bowar, General Manager

DELORES JOHNSTONE, Shareholder

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF THE SALE OF THE)
MAJORITY OF KENNEBEC TELEPHONE)
COMPANY, INC. STOCK TO ROD AND)
DONNA M. BOWAR)

RECEIVED
JUN 03 1998
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION
TC98-

PREFILED DIRECT TESTIMONY OF

ROD BOWAR



1 Q. Please state your name and business address.

2 A. Rod Bowar, P.O. Box 158, Kennebec, South Dakota 57544.

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

4 A. I am Plant Manager of Kennebec Telephone Company, Inc. ("KTC"). I will become
5 President and General Manager upon the effective date of acquiring the majority of KTC
6 stock.

7 Q. What is your educational and professional background?

8 A. I graduated from Lyman High School of Presho, South Dakota, in 1980. I began my
9 employment with KTC in May 1976, working during the summer months and part-time
10 during the school year. I have continued to work for KTC ever since that time, which
11 gives me over twenty-two years of experience in the telecommunications industry. I have
12 been an instrumental part of KTC's progress. My responsibilities have ranged from
13 running a spade on a construction crew, repairing buried cable, repairing central office
14 equipment, engineering, billing, providing customer service, and now managing the
15 plant. I have held a management position for the past fifteen years. I have seen KTC
16 grow from 150 telephone subscribers to 760 and from two employees—Delores
17 Johnstone and myself—to eight full-time employees and one part-time employee.
18 Delores Johnstone and I also formed a partnership, Kennebec CATV Company, which
19 now has 100 cable television and 650 DirecTV subscribers. Please see Attachment A for
20 a more detailed resume.

21 Q. What is the purpose of your testimony?

1 A. To provide the factual information needed by the South Dakota Public Utilities
2 Commission ("Commission"), pursuant to SDCL 49-31-59, to evaluate the request for
3 Commission approval to purchase the majority of KTC stock.

4 Q. Please describe Kennebec Telephone Company, Inc.

5 A. KTC is a family-owned, independent telephone company serving the residents of
6 Kennebec and Presho, South Dakota. Kennebec and Presho are situated in the south
7 central part of the state. Kennebec is located at Interstate 90 and State Highway 273, and
8 Presho is located at Interstate 90 and U.S. Highway 183. KTC serves approximately 760
9 access lines, of which 183 are business lines and 577 are residence lines. KTC has
10 extended area service between Kennebec and Presho. KTC uses a DMS-10 switch. KTC
11 will retain its eight full-time and one part-time employees.

12 **THE IMPACT OF THE SALE ON RATES**

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

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

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

20 A. No.

21 **THE IMPACT OF THE SALE ON SERVICES**

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

- 1 A. All services currently provided by KTC will continue to be available after the sale. KTC
2 offers many state-of-the art services, including CLASS services. Please see
3 Attachment B for a list and description of the services offered by KTC.
- 4 Q. Will KTC offer distance learning and tele-medicine services?
- 5 A. Yes. Although KTC currently does not provide these services, it pledges to work with
6 the two clinics located in our service area (Lyman County Health Center in Kennebec and
7 Stanley Jones Memorial Clinic in Presho) and the Lyman Independent School District
8 (high school and grade school in Presho and middle and grade school in Kennebec) to
9 provide such services upon request.
- 10 Q. Will emergency services be affected by the sale?
- 11 A. No. We will continue existing 911 services and will work with the county whenever its
12 needs change. We will provide the county with accurate data for its databases. Also,
13 KTC will continue to provide the existing firebar service in each exchange.
- 14 Q. Does KTC offer extended area service ("EAS")?
- 15 A. Yes, KTC offers EAS between Kennebec and Presho, which will be unaffected by the
16 sale.
- 17 Q. Do customers of KTC have local access to the internet using local calling?
- 18 A. Yes, and the sale would not affect that service.
- 19 Q. What will be the treatment of rates for touch tone service?
- 20 A. Touch tone service is currently included in the monthly line charge, and we will continue
21 to do this.

1 **FACILITIES**

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

4 A. KTC uses a host Northern Telecom DMS-10 in Kennebec serving a remote in Presho.
5 KTC plans to upgrade from Release 408.11 to Release 411.20 by the end of 1998. This
6 upgrade will allow KTC to be year 2000 compliant and will provide the capability to
7 support SS7 and ISDN services. There is currently seven miles of fiber from Kennebec
8 to a US WEST meet-point that carries the toll for all of KTC's exchanges. There is also
9 seventeen miles of fiber between Presho and a southerly meet-point with Golden West
10 that carries a significant amount of transiting traffic. KTC is in the process of installing
11 nine miles of fiber to connect Kennebec and Presho. In the local loop, AFC, Pair Gain,
12 and Fiber have been added and will continue to be added annually to meet the needs of
13 customers.

14 **CUSTOMER SERVICES AND REPAIRS**

15 Q. How will customer services and repairs be provided after the sale?

16 A. The customers should not notice any change in customer services and repairs. First,
17 KTC's existing employees will continue to operate out of the Kennebec central office.
18 Second, the employees will remain the same, with the exception of Delores Johnstone,
19 who will retire. Third, customers will continue to be able to make service and billing
20 inquiries by calling a local number. Fourth, there will be no change in or location of
21 workers responsible for repairs.

22 **ECONOMIC DEVELOPMENT**

23 Q. What are your views on economic development?

1 A. A strong local economy is very important to KTC. Consequently, we will do what we
2 can to support local economic development. We will provide state-of-the-art services,
3 allowing KTC to compete for new businesses and to retain existing businesses. We have
4 always prided ourselves on a strong commitment to our local communities. I also believe
5 in purchasing the services we need locally whenever possible.

6 **UNIVERSAL SERVICE FUND IMPACT**

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

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

9 **TAX CONSEQUENCES**

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

11 A. None. KTC is currently an independent telephone company subject to gross receipts tax
12 and will continue to operate as an independent telephone company after the sale. In
13 addition, exiting services will be continued using the existing rates. Therefore, the gross
14 receipts tax revenues to the school district are not expected to change.

15 **MANAGERIAL QUALIFICATIONS**

16 Q. How will the stock sale change the management of KTC.

17 A. I will become the President and General Manager of KTC. As previously stated, please
18 see Attachment A for a more detailed statement of my qualifications.

19 **FINANCIAL IMPACT OF THE SALE ON OPERATIONS**

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

22 A. Yes. A proprietary exhibit containing a pro forma net income statement, a cash flow
23 statement, and a balance sheet have been prepared and filed along with this testimony.

1 Q. How will this acquisition be financed?

2 A. The Sellers are financing the acquisition by taking notes from the Buyers for the full
3 amount of the purchase price.

4 **FCC APPROVAL IS NOT REQUIRED**

5 Q. Is FCC approval of this stock sale required?

6 A. No. FCC approval is only needed for a business band radio license.

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

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

13 A. Yes. As I explained, KTC has been and will remain committed to working with the
14 community to promote economic development. KTC will provide the services required
15 by its customers and is in the process of upgrading to Release 411.20 to assure that
16 capability. This will allow the communities served by KTC to compete for new
17 businesses and to retain existing businesses. I also pledge to work with the local school
18 administrator and health organizations to meet all of their communications needs,
19 including distance learning and tele-medicine.

20 **CONCLUSION**

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

22 A. Yes. I have lived my entire life in Kennebec, and I have spent the last twenty-two years
23 working for KTC. In that time, I have assumed a wide range of responsibilities and, as a

1 result, have a thorough understanding of KTC's operations from the ground up. I have
2 spent over fifteen of those years in a managerial capacity. I have been part of KTC's
3 growth, progress, and success. We will continue to provide the same quality services that
4 KTC currently provides, and new state-of-art services will become available as customer
5 needs dictate. Service questions will continue to be handled locally. KTC will also be a
6 strong participant in local economic development projects, distance learning, tele-
7 medicine, and whatever other services are needed to make Kennebec and Presho strong
8 and viable communities.

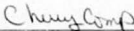
9 Q Does this conclude your testimony?

10 A Yes.

11 

12 Rod Bowar

13 SWORN TO BEFORE ME this
14 1st day of June, 1998

15 

16 NOTARY PUBLIC

My Comm. Expires 11-04-2001

Rod Bowar
Plant Manager
Kennebec Telephone Company, Inc.

Rod Bowar has spent over twenty-two years working for Kennebec Telephone Company, Inc. ("KTC"). He started with KTC during high school, when he was one of two employees, and has continued with the company to the present time. He has assumed a wide variety of responsibilities while at KTC, but has spent the past fifteen years in a managerial capacity. He presently serves as Plant Manager of KTC. He has seen KTC grow from two employees to eight full-time and three part-time employees. He has seen KTC grow from 150 subscribers to 760 subscribers. He has been with KTC from its beginnings and understands the needs of the company and the customers it serves.

Rod Bowar was a member of the Express Communications board for one year. He was President of C+P Cellular for five years. He is currently a member of the ICAA negotiating team, which was instrumental in the U.S. West purchase. In addition, he is the President of the South Dakota Telephone Association. He maintains the technical, managerial, and professional expertise required to provide continued and improved service to KTC customers.

Highlights During KTC Employment

- | | |
|--------------|--|
| 1980 | Eliminated the last of the overhead and party lines. Performed extensive upgrade on the central office and the outside plant. |
| 1982 | Built the cable television system in Kennebec, South Dakota by forming a partnership, Kennebec CATV Company, with Delores Johnstone. |
| 1983-Present | Annually replace as much air core cable as the budget allows for preventative maintenance. |
| 1989 | Built fiber optic toll facilities out of Kennebec to a meet-point with U.S. West to haul KTC's own toll. |
| 1990 | Installed KTC's first digital switch. |
| 1990-Present | Upgraded KTC's switch on three different occasions since its installation, and another upgrade is pending. |
| 1996 | Purchased the Presho exchange in the U.S. West sale and installed a remote switch in Presho. |
| 1997 | Began an extensive upgrade of the outside plant at Presho. |

1998 Provide local calling between Kennebec and Presho. Installing
fiber between Kennebec and Presho.

Civic Activities

Current

Kennebec Fire Department, Assistant Chief
Medicine Creek Lions in Presho, Vice-President
Kennebec Town and Country Club, Member

Previous

Kennebec Town Board, Board Member
St. Michael's Catholic Church, Board Member

Kennebec Telephone Co., Inc.
Delores Johnstone, Mgr
P.O. Box 158
Kennebec, S.D. 57544

PRESHO - (605)895-9651

KENNEBEC - (605)869-2220

3/1/98

Dear customer,

For years, we have strived to keep your local phone rates low. But, there comes a time that a rate increase is necessary to continue to provide the high quality of service our customers expect. The last rate increase was in 1987 and since then we have been able to keep up with these modern times such as installation of a digital switch (with 4 upgrades), installation of fiber optic cable, class features, T1 service, 56K, etc..

Therefore, starting April 1, 1998 the rates will be as follows:

Business line - \$25.00 per month (a business line is defined as any thing that is used for business or advertised as such)

Residence line - \$16.00 per month.

Low-income individuals eligible for Lifeline and Link-Up telephone assistance programs may be eligible for discounts from these basic local service charges through state specified telephone assistance plans.

STARTING APRIL 1, 1998

YOU WILL BE ABLE TO CALL TOLL FREE BETWEEN PRESHO AND KENNEBEC.

YOU WILL DIAL 869-XXXX TO REACH KENNEBEC OR 895-XXXX TO REACH PRESHO.

IT WILL BE CONSIDERED A LOCAL CALL.

TOUCH-TONE SERVICE WILL BE PROVIDED AS A PART OF THE LOCAL SERVICE RATE

We feel this is a very strong commitment to both communities to bring them closer together and to help them survive in the future.

We also would like to emphasize that we also have telephone leases available if you would like to lease a telephone in which case we are responsible for all the maintenance on the phone. We also sell all shapes and sizes of good quality phones so please give us a chance. We want to be your communications provider. If you have any questions please give us a call at the above number.

Kennebec Telephone Co., Inc.

Delores Johnstone, Manager

NOTICE

KENNEBEC TELEPHONE CO. INC.
P.O. BOX 158
KENNEBEC, S.D. 57544

KENNEBEC 869-2220

PRESHO 895-9651

Starting April 1st 1997 we will have CLASS features available to all our customers. From April 1st until April 20th, at your request, we will activate and you can try any of these features free of charge. After April 20th there will be a charge of \$15.00 to add any feature and the normal monthly billing will apply. We also are required to give you the following notices:

CALLER NUMBER ID AND BLOCKING OPTIONS

Your number will be displayed on every call to those who subscribe to Caller number ID. If you wish to block your number display on all your calls, you must dial *67 before dialing the number on each call. You may also request permanent number block to block the number display on all your calls.

CALLER NUMBER UNBLOCKING

If you have permanent caller number blocking your number will not be displayed on any call to those who subscribe to caller number ID. If you wish to have your number displayed you must dial *82 before dialing the number on each call.

The calling number feature requires a special phone or attachment. If you would like to try any of these features or need a phone of any kind please call us at 869-2220 for Kennebec customers or 895-9651 for Presho customers. Below are the CLASS features and their pricing starting April 20th:

FEATURE	PRICE PER MONTH	DESCRIPTION
"CLASS FEATURES"		
CALL FORWARDING REMOTE ACCESS	\$5.00	ALLOWS YOU TO FORWARD YOUR PHONE CALLS FROM A DIFFERENT LOCATION
HOME INTERCOM	\$5.00	ALLOWS YOU TO CALL YOUR OWN TELEPHONE NUMBER FROM YOUR OWN PHONE AND RECEIVE A DISTINCTIVE RING (4 SHDP PHONE)
AUTOMATIC CALL BACK	\$5.00	IF THE LINE YOU ARE DIALING IS BUSY THIS WILL KEEP TRYING THE NUMBER FOR 30 MINUTES AUTOMATICALLY THIS ONLY WORKS IN YOUR LOCAL AREA
AUTOMATIC RECALL	\$5.00	LETS YOU DIAL THE LAST INCOMING CALL NUMBER YOU RECEIVED WHETHER OR NOT YOU ANSWERED THE PHONE THIS ONLY WORKS IN YOUR LOCAL AREA
CALLING NUMBER ID BLOCKING	\$0.00	ALLOWS YOU TO PREVENT YOUR NUMBER FROM DISPLAYING ON SOMEONE'S PHONE ON A PER CALL BASIS
ONE CALL UNBLOCK	\$0.00	IF YOU HAVE PERMANENT NUMBER BLOCKING THIS WILL ALLOW YOUR NUMBER TO DISPLAY ON SOMEONE'S PHONE ON A PER CALL BASIS
PERMANENT CALLER NUMBER BLOCKING	\$0.00	PREVENTS YOUR NUMBER FROM DISPLAYING ON SOMEONE'S PHONE
CALLING NUMBER ID	\$5.00	CALLING NUMBER DELIVERY IDENTIFIES THE NUMBER OF THE CALLING PARTY (SPECIAL EQUIPMENT IS REQUIRED) THIS ONLY WORKS IN YOUR LOCAL AREA
SELECTIVE CALL FORWARDING	\$5.00	THIS ALLOWS ONLY CERTAIN CALLS THAT YOU HAVE SELECTED TO BE FORWARDED THIS ONLY WORKS IN YOUR LOCAL AREA
SELECTIVE CALL REJECTION	\$5.00	ALLOWS YOU TO PROGRAM A LIST OF DIRECTORY NUMBERS THAT YOU WANT REJECTED OR BLOCKED WHEN THEY CALL YOU THIS ONLY WORKS IN YOUR LOCAL AREA
SELECTIVE CALL ACCEPTANCE	\$5.00	ALLOWS YOU TO STORE NUMBERS FROM WHICH YOU WILL ACCEPT CALLS THIS ONLY WORKS IN YOUR LOCAL AREA
SELECTIVE DISTINCTIVE RINGING/CALLWAITING	\$5.00	ALLOWS YOU TO PROGRAM NUMBERS THAT WILL GIVE YOU A DISTINCTIVE RING WHEN THEY CALL THIS ONLY WORKS IN YOUR LOCAL AREA
CALL CONTROLLER	\$5.00	TOLL RESTRICTION ON YOUR LINE BUT YOU CAN OVERRIDE IT WITH A SPECIAL SECRET CODE

Below is a list of features that have been available and will continue to be if you are interested during the month these can be activated free of charge. Normally the charge for this is \$15.00.

"BASIC FEATURES"

SHORT SPEED CALL LIST
 LONG SPEED CALL LIST
 CALL FORWARDING
 3WAY CALLING
 CALL WAITING
 CANCEL CALL WAITING
 TEEN LINE OR DISTINCTIVE RINGING
 TOLL RESTRICTION
 WARM LINE
 CALL FORWARD BUSY LINE
 DIRECTORY NUMBER HUNT

If you have any questions regarding features or phones please give us a call at 869-2220 in Kennebec or 895-9651 in Presho. Thank you.



South Dakota Public Utilities Commission



State Capitol Building, 500 East Capitol Avenue, Pierre, South Dakota 57501-5070

July 15, 1998

Michael J. Bradley
Moss & Barnett, P.A.
A Professional Association
4800 Norwest Center
90 S Seventh Street
Minneapolis, Minnesota 55402

Dear Mr. Bradley:

Following are questions of Commission Staff regarding the filing for approval of sale of stock of Kennebec Telephone Company.

1. Has Kennebec Telephone Company received any requests for extended area service not now provided, since the purchase of the Presho exchange? If so, provide the areas requested to be served and the number of requests received for each area.
2. Is Kennebec Telephone Company in compliance with SDCL 49-31-62 through 65 and does Kennebec Telephone company expect to be in compliance with the associated upcoming deadlines in those statutes? Have the necessary upgrades and investments been included in the financial information provided in the filing to date?
3. What are the current switched access rates of Kennebec Telephone Company?
4. Provide a list of all telecommunications services currently offered by Kennebec Telephone Company and their corresponding rates. Provide a list of those services to be added upon completion of the 411.20 upgrade and the expected price of those services.
5. Does Kennebec Telephone Company offer 911 or E911 service?
6. What is Kennebec's ETC status and will it be affected by the sale?

Please have answers to the above questions submitted to the Commission no later than July 31, 1998. If you have any questions regarding the above, please contact me at the Commission.

Sincerely,

Dave Jacobson

cc Karen Cremer
Delores Johnstone
Rod Bowar

Capitol Office
Telephone (605)773-3201
FAX (605)773-3809

Transportation/
Warehouse Division
Telephone (605)773-5280
FAX (605)773-3225

Consumer Hotline
1-800-332-1782

TTY Through
Relay South Dakota
1-800-877-1113

Internet
bill@pac.state.sd.us

Jim Berg

Chairman

Pam Nelson

Vice-Chairman

Laska Schoenfelder

Commissioner

William Bullock Jr.
Executive Director

Edward R. Anderson

Harlan Best

Martin C. Bettmann

Charlie Joffe

Sue Cichos

Karen E. Cremer

Marlette Fuschbach

Shirley Fugitt

Lewis Hammond

Katie Hartford

Leri Healy

Contron Huseck

Dave Jacobson

Bob Knoffle

Delaine Kolbo

Jeffrey P. Lorenson

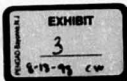
Terry Norman

Gregory A. Riviv

Tarun Stangole

Steven M. Weigman

Rolayne Alts Wiest



LAW OFFICES
MOSS & BARNETT
A PROFESSIONAL ASSOCIATION

4800 NORTHWEST CENTER
90 SOUTH SEVENTH STREET
MINNEAPOLIS, MINNESOTA 55402-4129

TELEPHONE (612) 347-0300
FACSIMILE (612) 339-6686

WRITER'S DIRECT DIAL NUMBER
347-0337

WRITER'S E-MAIL ADDRESS
BradleyM@mooss-barnett.com

July 28, 1998

RECEIVED

JUL 29 1998

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Dave Jacobson
South Dakota Public Utilities Commission
State of South Dakota
500 East Capitol
Pierre, SD 57501

Re: In the Matter of the Sale of the Majority of Kennebec Telephone Company, Inc.
Stock to Rod and Donna Bowar
Docket No. TC98-114

Dear Mr. Jacobson:

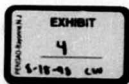
Enclosed please find the Responses to Information Requests dated July 15, 1998, which
have been provided under oath.

Very truly yours,

MOSS & BARNETT
A Professional Association

Michael J. Bradley
Michael J. Bradley

MB/jjh
Enclosure
cc: Rod Bowar
19726171



BERNARD J. KATZEL
PAUL VIKO PALMBERG III
MICHAEL J. PLANTAGUEN
THOMAS A. REIDER III
W. ALFRED REIDER
JAMES R. ROBERTS
PAUL S. ROEMER
EDWARD L. ROYER
WILLIAM N. SCOTT
WILLIAM S. SMITH
CHARLES A. STARRING, JR.
RICHARD J. STORVICK
BRADLEY J. TAYLOR
JAMES L. THOMPSON
THOMAS A. THORAN
J. MICHAEL TROTTI

EDWARD J. BLUMBERG
ARTHUR W. HOPKINS
MICHAEL J. ANDERSON
STEPHEN L. WATSON
THOMAS J. SCHMIDT
DAVID P. SCHROEDER
LARRY D. SMITH
DAVID R. SHERMAN
MORTIMER H. TOLK
MICHAEL J. BRADLEY
JERRY A. WIGLER
EDWARD J. KILMER
KEVIN M. BUCKER
JULIAN T. BUCKER
THOMAS M. STEINBERG
NEWEN DAY

THOMAS A. DODD
DEANNE M. JONES
CARL E. WOOD
JONAS R. ROYBANCE
W. WILLIAM RAY
JOSHUA R. REID
NANCY M. KADIS
ABRAHAM LASKARIS
RONALD A. ABENBERG
DICK F. ZOLA
BRAND T. GUNGAN
J. MICHAEL O'GALLAGHAN
ARNO J. O'LEARY
VINCE JEFFY PARSLANDER
JAN M. WALDMAN
MICHAEL R. TERRY

LISA M. VOELKER
MICHELLE R. LORELLA
MATTHEW M. MEYER
PAUL J. STENHOLT
KELLY M. MCFARLANEY

RETIRED:
VERNE W. MOSE
DARRYL W. JOHNSON
STEPHEN S. STABEL
HOWARD S. COLE
PATRICK J. FLEMERTY
WAYNE A. HENNING

RESPONSES TO INFORMATION REQUESTS

1. Has Kennebec Telephone Company received any requests for extended area service not now provided, since the purchase of the Presho exchange? If so, provide the areas requested to be served and the number of requests received for each area.

Response:

There have been no such requests.

2. Is Kennebec Telephone Company in compliance with SDCL 49-31-62 through 65 and does Kennebec Telephone Company expect to be in compliance with the associated upcoming deadlines in those statutes? Have the necessary upgrades and investments been included in the financial information provided in the filing to date.

Response:

The planned upgrade to 411.20 in November 1998 will provide Kennebec Telephone Company with the ability to satisfy these statutory requirements. See also the response to question 4.

3. What are the current switched access rates of Kennebec Telephone Company?

Response:

Kennebec	Originating - .0743	Terminating - .0828
Presho	Originating - .07	Terminating - .07

4. Provide a list of all telecommunications services currently offered by Kennebec Telephone Company and their corresponding rates. Provide a list of those services to be added upon completion of the 411.20 upgrade and the expected price of those services.

Response:

Attached hereto is a listing of all telecommunications services currently offered by Kennebec Telephone Company and their corresponding rates. This information was attached to the Prefiled Testimony of Rod Bowar. Only two new services will be available as a result of the upgrade. One of those services is ISDN. The price for ISDN will largely be dependent on

customer demand for this service, which is currently unknown. The other new service is a new CLASS offering allowing call number delivery on call waiting. It will be priced the same as other CLASS offerings.

5. Does Kennebec Telephone Company offer 911 or E911 service?

Response:

As indicated in the Prefiled Testimony of Rod Bowar, Kennebec Telephone Company currently offers 911 service. If and when the county requests E911, Kennebec Telephone Company will be able to satisfy that request.


6. What is Kennebec's ETC status and will it be affected by the sale?

Response:

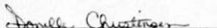
Kennebec Telephone Company has applied for and received South Dakota Public Utilities Commission approval for ETC service. Because the sale is a stock transaction, there is no change in the legal standing of Kennebec Telephone Company, nor will the Kennebec Telephone Company reduce the scope of the services it currently provides. Therefore, the existing ETC status for Kennebec Telephone Company will remain in effect.

VERIFICATION

Rod Bowar, being first duly sworn, verifies that, to the best of his knowledge, the above information is true and correct.


Rod Bowar

SWORN TO BEFORE ME this
23 day of July, 1998


NOTARY PUBLIC

My Commission Expires Oct. 19, 2004

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF THE SALE OF THE)	FINAL DECISION AND
MAJORITY OF KENNEBEC TELEPHONE)	ORDER APPROVING SALE
COMPANY, INC. STOCK TO ROD AND DONNA)	OF STOCK; NOTICE OF
BOWAR)	ENTRY OF ORDER
)	TC98-114

On June 9, 1998, the current stockholders of Kennebec Telephone Company, Inc. (KTC) and Rod and Donna Bowar (Bowars), jointly applied to the South Dakota Public Utilities Commission (Commission) for approval of the sale of the majority of KTC stock to Bowars. The joint application stated, "As part of the overall transaction, KTC would redeem certain shares of the stock of the principal shareholder, Delores Johnstone. KTC would continue to operate and provide local telephone service under its existing Certificate of Authority after the stock sale." The KTC consists of the Kennebec and Presho exchanges.

On June 11, 1998, the Commission electronically transmitted notice of the filing and the intervention deadline of June 26, 1998, to interested individuals and entities. No petitions to intervene or comments were filed.

A hearing was held on August 18, 1998, at 2:00 p.m., at the Kennebec Community Room, Kennebec, South Dakota. The issue at the hearing was whether the sale of the majority of KTC's stock to the Bowars should be approved. After hearing the testimony presented at the hearing, the Commission voted unanimously to approve the sale of the majority of KTC's stock to the Bowars.

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

I

KTC is an independent telephone company located in Kennebec, South Dakota, and serves the Kennebec and Presho exchanges which have approximately 760 access lines. Exhibit 2 at 2.

II

Rod Bowar will become the President and General Manager upon the effective date of acquiring the majority of KTC stock. Id. at 1. He has 22 years of experience working at KTC. Id.

III

During the hearing in Kennebec, there was no public opposition to the sale of the stock.

ADEQUACY OF LOCAL TELEPHONE SERVICE

IV

The Bowers will honor all existing contracts, commitments, leases, and other arrangements and will not eliminate any services currently provided by KTC. Tr. at 10, 15.

V

The Bowers will retain all of KTC's employees, except for Delores Johnstone who is retiring. Tr. at 12. Customers will continue to be able to make trouble reports and ask service questions by calling a local telephone number. Tr. at 13.

REASONABLENESS OF RATES

VI

The Bowers have no plans to increase the existing rates for at least 18 months. Tr. at 9.

PUBLIC SAFETY ISSUES

VII

KTC will continue to provide 911 service in the Kennebec and Presho exchanges. Tr. at 12.

ABILITY OF THE BUYER TO PROVIDE SERVICE

VIII

The Bowers are fit, willing, and able to purchase and thereafter operate, maintain, and upgrade to the level required by the Commission the facilities of the Kennebec and Presho exchanges. Tr. at 7-16.

IX

The Bowers have the ability to obtain capital and the incentive to invest in the Kennebec and Presho exchanges. Exhibit 1. The Bowers will upgrade the current DMS 10 switch to provide ISDN and SS7 capabilities. Tr. at 11.

X

The Bowers will support local economic development efforts and will work with the schools and clinics to meet their telecommunications needs. Tr. at 14-15.

PROTECTION OF THE PUBLIC INTEREST

XI

The Bowars' purchase of the Kennebec and Presho exchanges is in the public interest of the customers within the exchanges for the following reasons:

- a. Quality local service will be maintained;
- b. The customers of the exchanges 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 exchanges at the level currently provided; and
- e. Customers in the exchanges will be able to obtain additional, advanced telecommunications services.

Tr. at 7-16

TAXES

XII

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

CONDITIONS OF SALE

I

The Commission shall approve the proposed sale of the stock of the KTC subject to the following conditions:

1. That current local rates not be increased for 18 months from the date the Bowars begin to operate the purchased exchanges;
2. That the Bowars shall not recover any of the acquisition adjustment through regulated interstate or intrastate rates, through local rates, or through federal or state universal service funds;
3. That the Bowars 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 exchanges;
4. That the Bowars offer, at a minimum, all existing services currently offered by the purchased exchanges; and

5. That the Bowers not discontinue any existing extended area service without first obtaining approval from the Commission.

CONCLUSIONS OF LAW

I

The Commission has jurisdiction over the sale of stock of KTC to the Bowers pursuant to SDCL Chapters 1-26 and 49-31, specifically 1-26-17.1, 49-31-3, 49-31-5.1, 49-31-7, 49-31-7.1, 49-31-11, 49-31-18, 49-31-19, and 49-31-59.

II

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

III

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 Kennebec and Presheo exchanges to receive high quality service.

IV

The Bowers have satisfied their burden of proof under SDCL Chapter 49-31, specifically 49-31-3, 49-31-5.1, 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 KTC to the Bowers.

V

The Commission has considered the adequacy of local telephone service in reviewing this sale of stock of KTC. The Bowers are required to provide all services currently offered. In addition, the Bowers must honor existing contracts and other agreements.

VI

The Commission has also considered the reasonableness of local rates. The Commission finds that rates for the customers in the KTC exchange will remain at the same levels and there will be no increase in rates for at least 18 months. Further, the Bowers are prevented from recovering any of the acquisition adjustment through local rates.

VII

Any existing public safety services currently provided will continue.

VIII

The Commission has determined that there will be no change in the amount of taxes paid as a result of the sale of stock.

IX

The Commission has determined that the Bowers have the ability to provide modern state-of-the-art telecommunications services that will facilitate economic development, telemedicine, and distance learning in rural South Dakota after the sale.

X

The Commission approves the sale of stock of KTC to the Bowers.

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 KTC to the Bowers is approved subject to the Conditions of Sale.

PLEASE TAKE NOTICE that this Decision and Order in Docket TC98-114 was duly entered this 10th of September, 1998, and filed in the Commission's docket.

Dated at Pierre, South Dakota, this 10th day of September, 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	<u>William Kachs</u>
Date	<u>9/10/98</u>
(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

347-0337

WALTER'S E-MAIL ADDRESS
BradleyMj@moss-barnett.com

October 29, 1998

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 Majority of Kennebec Telephone Company, Inc.
Stock to Rod and Donna M. Bowar
Docket No. TC98-114

Dear Mr. Bullard:

Enclosed please find an original and eleven copies of the Verification of Closing on behalf of Rod and Donna Bowar in the above-entitled Docket. Also enclosed is a Certificate of Service.

Very truly yours,

MOSS & BARNETT
A Professional Association

Michael J. Bradley
Michael J. Bradley

MJB/jjh
Enclosures
cc: All parties of record
15695/1

RECEIVED
OCT 30 1998
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

NEEDHAM J. BUSTLER
PAUL VAN VALKENBURG
MICHAEL J. BLANKENHORN
THOMAS A. KELLEY III
W. SCOTT BIRBAUM
JAMES R. OWEN
PAUL G. DEWANEY
EDWARD J. WITHE
WILLIAM R. WOOTER
MICHAEL R. HANCOCK JR.
MICHAEL J. DEWANEY
BRYAN J. LINDSEY
JAMES A. ALBERTSON
THOMAS R. SHAWAN
J. MICHAEL DEWANEY

EDWARD J. BLUMBERG
AMY R. HERRMANN
MICHAEL J. JARVIS
JEFFREY L. KATZMAN
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DAVID P. HUNTER
CYNTHIA L. SMITH
DAVE J. JOHNSON
MICHAEL W. COLE
MICHAEL J. BRADLEY
JERRY R. BULLARD
MICHAEL J. KILGER
BRYAN W. SHAWAN
STEVEN C. RICHIE
THOMAS W. DEWANEY
SARA JAY

THOMAS A. JONES
DEBRA W. GREGG
CHRIS A. WELLS
JOYNA R. DEWANEY
M. CINDY EAST
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JIM W. WALKER
MICHAEL R. HUNT

LISA M. VORLBERG
MICHAEL R. JOSEPH
MATTHEW W. BOWEN
PAUL J. TROCHUTZ
KEELY W. DEWANEY

RAYMOND
TERESA W. MOSE
JAMES R. DEWANEY
STANLEY W. DEWANEY
HOWARD S. COLE
PATRICK R. PLAMBERT
WAYNE A. DEWANEY



BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

RECEIVED

OCT 30 1998

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE SALE OF THE
MAJORITY OF KENNEBEC TELEPHONE
COMPANY, INC. STOCK TO
ROD AND DONNA BOWAR

TC98-114

VERIFICATION OF CLOSING

The South Dakota Public Utilities Commission issued an Order Approving Sale of Stock, dated September 10, 1998, granting Rod and Donna Bowar authority to purchase the majority of the stock of the Kennebec Telephone Company, Inc.

On September 30, 1998, the sale of stock of Kennebec Telephone Company, Inc. to Rod and Donna Bowar was completed.

Verification

Rod Bowar hereby verifies that the information contained in this document is true and correct to the best of his knowledge.



Rod Bowar

Subscribed and sworn before me this
21st day of October, 1998

Cheryl Comp

Notary Public

Comm #xp114-2001

Certificate of Service

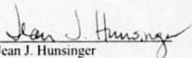
I hereby certify that an original and eleven copies of the Verification of Closing were sent via Federal Express on the 29th day of October, 1998, to the following:

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 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 by United States mail, postage prepaid thereon, to the persons on the attached list.


Jean J. Hunsinger

Rod Bowar
Kennebec Telephone Company
P O Box 158
Kennebec, SD 57544

Steven M. Maun
Baird, Holm, McEachen
Pedersen, Hamann & Strasheim
1500 Woodmen Tower
Omaha, NE 68102