TC97-159

(illegible handwritten initials) DJ

DOCKET NO. TC97-159

In the Matter of IN THE MATTER OF THE JOINT APPLICATION OF JEFFERSON TELEPHONE CO. AND JEFFERSON COMMUNICATIONS, LLC REGARDING THE SALE OF JEFFERSON TELEPHONE CO. STOCK TO JEFFERSON COMMUNICATIONS, LLC

Public Utilities Commission of the State of South Dakota

DATE		MEMORANDA
9/23	97	Filed and Docketed;
9/25	97	TC Fax Filing;
10/10	97	Resistance to Request for Confidential Treatment of Information;
11/10	97	Prefiled Direct Testimony of James McKenna;
11/12	97	Request for Confidential Treatment of Information, Proprietary Pro Forma Financial Projections and Nonproprietary [illegible]
11/21	97	Order for and Notice of Hearing and Procedural Schedule;
11/25	97	Supplement to Staff's Resistance for Confidential Treatment of Information;
12/2	97	Prehearing Brief on Confidentiality;
12/5	97	Amended Order for and Notice of Hearing and Procedural Schedule;
12/11	97	Order [illegible] Pro Hac Vice (Mitchell & Dudley);
12/16	97	Transcript of Hearing held on 12/11/97;
12/17	97	Affidavit of Publication
12/23	97	Dec. + Order Regarding Sale of the Stock of Jefferson Telephone Co., Notice of Entry of Order
12/23	97	Docket Closed.

South Dakota
Public Utilities Commission
State Capitol 500 E. Capitol
Pierre, SD 57501-5070
Phone: (800) 332-1782
Fax: (605) 773-3809

TELECOMMUNICATIONS SERVICE FILINGS

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

09/19/97 through 09/25/97

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
	REQUEST FOR CERTIFICATE OF AUTHORITY		
TC97-160	Application by Sterling International Funding, Inc. d/b/a Reconex for a Certificate of Authority to operate as a telecommunications company within the state of South Dakota. (Staff: TS/KC) "Petitioner, Sterling International Funding, d/b/a Reconex™ is affiliated with Ameritel Corporation, a residential dial tone service provider which has been operating since 1992. As the leader in the prepaid dial tone industry, Applicant and its affiliate, have provided high quality local exchange service to thousands of customers. Reconex is an alternative telephone company primarily furnishing prepaid local dial tone service to individuals who have had their telepone disconnected, have voluntarily left their local exchange provider, or for money management reasons prefer to address their local calling needs in a prepaid fashion at a set fee, which represents their bottom line cost. Applicant proposes to offer service in the area and exchanges currently being served by the exising incumbent local exchange carrier, U S WEST."	09/24/97	10/10/97
TC97-161	Application by SBR, Inc. for a Certificate of Authority to operate as a telecommunications company within the state of South Dakota. (Staff: TS/CH) "Applicant is a switchless reseller which intends to offer 1+ direct dialing, 800 toll free, and travel card (no prepaid calling cards) service through the resale of telephone services provided by facilities-based interexchange carriers."	09/25/97	10/10/97
	SALE OF JEFFERSON TELEPHONE CO. STOCK		
TC97-159	Jefferson Telephone Co. (Jefferson) and Jefferson Communications, LLC jointly apply to the Commission for approval of the sale of the Jefferson stock to Jefferson Communications. Jefferson would continue to operate and provide local telephone service under its existing Certificate of Authority after the stock sale. The sale is scheduled to close by December 31, 1997. FCC approval is not required. Therefore, the applicants respectfully request expedited treatment of this matter by the Commission to permit closing by that date. (Staff: DJ/CH)	09/23/97	10/10/97

Important Notice: The Commission is compiling a list of internet addresses. If you have an internet address please notify the Commission by: E-mailing it to Terry Norum at: terryn@puc.state.sd.us Faxing the address to the Commission at: 605-773-3809

South Dakota
Public Utilities Commission

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

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October 10, 1997

Mr. Michael J. Bradley
Attorney at Law
Moss & Barnett
4800 Norwest Center
90 South Seventh Street
Minneapolis, MN 55402

Mr. Richard W. Connors
President
Jefferson Telephone Co.
P. O. Box 128
Jefferson, SD 57038

Re: In the Matter of the Sale of the Stock of Jefferson Telephone Co. to Jefferson Communications, LLC
Docket TC97-159

Gentlemen:

Enclosed each of you will find a copy of Resistance to Request for Confidential Treatment of Information in the above captioned matter. This is intended as service upon you by mail.

Very truly yours,

Camron Hoseck
Staff Attorney

CH:dk
Enc.

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE SALE OF THE STOCK OF JEFFERSON TELEPHONE CO. TO JEFFERSON COMMUNICATIONS, LLC	)))))	**RESISTANCE TO REQUEST FOR CONFIDENTIAL TREATMENT OF INFORMATION TC97-159**

Jefferson Communications, LLC, through its attorney has requested that the Stock Purchase Agreement be afforded confidential treatment pursuant to ARSD "40:10:01:40 and 40:10:01:42 through 44" (sic). Staff resists this attempt to have this information treated as confidential information. Staff's position is as follows:

1. Confidential information is defined by ARSD 20:10:01:39. Under subparagraph (4) "trade secrets recognized and protected by law" are not available for examination by the public if they are in possession of the Commission. Trade secrets are defined under the Uniform Trade Secrets Act, more specifically at SDCL 37-29-1(4). One of the definitions of a trade secret is that it can be information which derives independent economic value from not being known by persons who can obtain economic value from its disclosure or use. This definition, as paraphrased, is also linked to the fact that information has to be the subject of efforts that are reasonable, under the circumstances, to be maintained as secret, see SDCL 37-29-1(4)(i)(ii).

Jefferson Communications has not made a showing that the disclosure of the purchase price of this exchange meets any of the economic value tests as set forth in the above referenced statute. The representations by Jefferson Communications' attorney are speculative, conjectural and based upon his representation that such purchase prices are generally considered confidential. Jefferson Communications should demonstrate to this Commission exactly how the information it seeks to keep confidential falls within the statutory definition of a trade secret.

ARSD 20:10:01:42 provides that a mere request for confidentiality generates confidential treatment of information. It is this initial request which staff questions.

2. Assuming that Jefferson Communications, LLC, and Jefferson Telephone Co., are public utilities, there is a public interest in the affairs of such companies. Under the definition of a public utility as found in Aberdeen Cable TV Service, Inc. v. City of Aberdeen, 176 N.W.2d 738, 741 (S.D. 1970), the South Dakota Supreme Court has stated:

> "To constitute a true 'public utility,' the devotion to public use must be of such character that the public generally, or that part of it which has been served and which has accepted the service, has the legal right to demand that the service shall be conducted, so long as it is continued, with reasonable efficiency under reasonable charges."

It is submitted that the public should have a right to know of the affairs of a public utility.

The Commission's attention is respectfully directed toward the following statutes which, as paraphrased, tend to indicate that the affairs of public utilities are in fact more public than Jefferson Telephone Co., and Jefferson Communications, LLC urge:

(A) SDCL 1-27-1 provides that records kept by officers of public service under statutes of this state are open for public inspection.

(B) SDCL 49-1-12 provides that the proceedings of the Public Utilities Commission are open to the public.

(C) SDCL 49-31-59, the statute for approving sales of telephone exchanges, provides that sales are subject to a "high degree of scrutiny."

The affairs of a public utility should be public; confidential treatment of the affairs of such utilities should not be automatically assumed without an adequate showing - upfront.

WHEREFORE, staff moves the Commission to deny the request for confidential treatment of information in this docket as requested by Jefferson Communications, LLC, in its entirety or, in the alternative, that Jefferson Communications, LLC, make a further showing to this Commission, not based upon speculation or conjecture, of how such information qualifies as a trade secret under this Commission's Administrative Rules and the Uniform Trade Secrets Act or otherwise is entitled to confidential treatment.

Dated this 16th day of October, 1997.

Camron Hoseck
Staff Attorney
South Dakota Public Utilities Commission
500 East Capitol
Pierre, SD 57501
Telephone (605) 773-3201

CERTIFICATE OF SERVICE

I hereby certify that copies of the Resistance to Request for Confidential Treatment of Information were served on the following by mailing the same to them by United States Post Office First Class Mail, postage thereon prepaid, at the address shown below on this the 16th day of October, 1997.

Michael J. Bradley
Attorney at Law
Moss & Barnett
4800 Norwest Center
90 South Seventh Street
Minneapolis, MN 55402

Richard W. Connors
President
Jefferson Telephone Co.
P. O. Box 128
Jefferson, SD 57038

Camron Hoseck
Staff Attorney

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE SALE OF THE STOCK OF JEFFERSON TELEPHONE CO. TO JEFFERSON COMMUNICATIONS, LLC.	))))	**ORDER FOR AND NOTICE OF HEARING AND PROCEDURAL SCHEDULE TC97-159**

On September 23, 1997, the Commission received a joint application from Jefferson Telephone Co. and Jefferson Communications, LLC, collectively referred to as Applicants. The Applicants jointly applied to the Commission for approval of the sale of the stock of Jefferson Telephone Co. to Jefferson Communications, Inc.

On September 25, 1997, the Commission electronically transmitted notice of the filing and the intervention deadline of October 10, 1997, to interested individuals and entities. No parties have sought intervention in this docket.

On October 10, 1997, Commission staff filed a resistance to Jefferson Communications' request that the purchase price of the exchange be afforded confidential treatment on the grounds that Jefferson Communications has not shown entitlement to such treatment as a matter of law and further upon the grounds that the public is entitled to such information concerning public utilities.

The Commission has jurisdiction in this matter pursuant to SDCL Chapters 1-26 and 49-31, including but not limited to SDCL 49-31-59, and ARSD Chapter 20:10:01. The Commission may rely upon any or all of these or other laws of this state in making its determination.

A hearing on this application will begin at 2:30 P.M., on December 4, 1997, at the Jefferson Community Center, Jefferson, South Dakota, for the consideration of this matter.

The issues at the hearing are:

1. Is the purchase price of the exchange confidential and therefore not subject to disclosure to the public?

2. Whether the sale of the stock of Jefferson Telephone Co. to Jefferson Communications 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) Applicant and (2) Staff.

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 rule that the purchase price of the telephone exchange which is the subject of this docket shall be disclosed to the public and it may either approve or reject the application. 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 (1) Commission staff's motion regarding confidentiality of the purchase price and (2) this joint application for approval of the above referenced telephone exchange within the state of South Dakota at the time and place specified above. It is further

ORDERED that prefiled testimony shall be filed pursuant to the following schedule:

Applicants will file initial testimony on or before November 28, 1997.

Applicants will be allowed to offer rebuttal at the hearing.

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 21 day of November 1997.

CERTIFICATE OF SERVICE

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

By: Delaine Kolbo

Date: 11/21/97

(OFFICIAL SEAL)

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

William Bullard

WILLIAM BULLARD, JR.
Executive Director

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

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November 25, 1997

Mr. Michael J. Bradley
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Mr. Richard W. Connors
President
Jefferson Telephone Co.
P. O. Box 128
Jefferson, SD 57038

Re: In the Matter of the Sale of the Stock of Jefferson Telephone Co. to Jefferson Communications, LLC
Docket TC97-159

Gentlemen:

Enclosed each of you will find a copy of Supplement to Staff's Resistance for Confidential Treatment of Information in the above captioned matter. This is intended as service upon you by mail.

Very truly yours,

Camron Hoseck
Staff Attorney

CH:dk
Enc.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE SALE OF THE STOCK OF JEFFERSON TELEPHONE CO. TO JEFFERSON COMMUNICATIONS, LLC	))))))	**SUPPLEMENT TO STAFF'S RESISTANCE FOR CONFIDENTIAL TREATMENT OF INFORMATION TC97-159**

As a supplement to its resistance to Jefferson Communications' request for confidentiality of the purchase price of the Jefferson exchange, staff submits the following for the consideration of the Public Utilities Commission (Commission).

James McKenna, an officer of the parent company which intends to purchase Jefferson Telephone Co. has prefiled testimony in this docket. Of importance to this motion by Commission staff, is the following testimony found at page 7, starting at line 8:

"Q. How will Jefferson Communications finance this acquisition?

A. Jefferson Communications will borrow approximately $2,625,00. (sic) The balance will be financed through capital provided to Jefferson Communications by Long Lines, Ltd."

Assuming that Jefferson will be borrowing either $2,625,000 or $262,500, whatever the case may be, Jefferson Communications has made a partial disclosure of the purchase price. It is submitted that by doing so, Jefferson Communications has waived the right to claim that the purchase price is confidential.

The South Dakota Supreme Court has defined a waiver as follows:

> A waiver exists "where one in possession of any right, whether conferred by law or by contract, and of full knowledge of the material facts, does or forbears the doing of something inconsistent with the existence of the right or of his intention to rely upon it. . . ." In re Estate of Johnson, 344 N.W.2d 86 (SD 1984).

Here, Jefferson Communications is requesting on one hand that the purchase price is confidential, while on the other hand it is making a partial disclosure to the public of its purchase price. Even if Jefferson Communications is correct in its assertion that the purchase price should be confidential, then it has waived that right to claim confidentiality because it has acted inconsistent with that right or with its indicated intention to rely upon that right.

Jefferson Communications cannot, it is submitted, claim that the protection of confidentiality afforded by law applies only when it wants it to apply. It has waived its right to confidential treatment of the purchase price of the Jefferson exchange and the public has a right to know what was paid for this public utility.

Respectfully submitted this 25th day of November, 1997.

Camron Hoseck
Staff Attorney
South Dakota Public Utilities Commission
500 East Capitol
Pierre, SD 57501
Telephone (605) 773-3201

CERTIFICATE OF SERVICE

I hereby certify that copies of the Supplement to Staff's Resistance for Confidential Treatment of Information were served on the following by mailing the same to them by United States Post Office First Class Mail, postage thereon prepaid, at the address shown below on this the 25th day of November, 1997.

Michael J. Bradley
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Richard W. Connors
President
Jefferson Telephone Co.
P. O. Box 128
Jefferson, SD 57038

Camron Hoseck
Staff Attorney

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SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

LAW OFFICES

MOSS & BARNETT

A PROFESSIONAL ASSOCIATION

4800 NORWEST CENTER
90 SOUTH SEVENTH STREET
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WRITER'S E-MAIL ADDRESS
BradleyM@moss-barnett.com

December 1, 1997

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

Re: In the Matter of the Sale of the Stock of Jefferson Telephone Co. to Jefferson Communications, LLC
Docket No TC97-159

Dear Mr. Bullard:

Enclosed please find an original and eleven copies of the Prehearing Brief on Confidentiality on behalf of Jefferson Communications, LLC. 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: Parties of record
147152/35JK01!.DOC

MOSS & BARNETT
Since 1896
Attorneys at Law

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DEC 02 1997
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE SALE OF THE	)	TC97-159
STOCK OF JEFFERSON TELEPHONE CO. TO	)	
JEFFERSON COMMUNICATIONS, LLC	)	

Prehearing Brief On Confidentiality

Jefferson Communications, LLC ("Jefferson") is requesting that the South Dakota Public Utilities Commission ("Commission") treat the purchase price for the stock of Jefferson Telephone Co. as confidential information. Commission Staff has recommended that Jefferson be required to provide evidence supporting its request. In the absence of evidence justifying confidential treatment of the purchase price, Staff recommends that the request be denied. In response to this recommendation, Jefferson will present testimony at the December 4, 1997 hearing supporting its request. In addition, Jefferson offers the following reply comments in support of its request.

I. The Commission Has Authority To Grant Confidential Treatment.

The Staff notes that utilities have less right to confidential treatment of their business information than do other private corporations. While that is true, there are instances where the justification for confidentiality outweighs the interest for public disclosure. This is one of those instances.

In recognition of both the general rule favoring public access to utility information and the need for exceptions to the general rule, the Commission adopted ARSD 20:10:01:39, which provides in relevant part:

All facts, information, reports, orders, memoranda, books, accounts, documents, and computer peripherals of any nature in the possession of the commission are available for examination by the public except the following:

. . . .

(4) Trade secrets recognized and protected by law;

. . . .

(5) Information which is made confidential by the commission.

The Commission should grant Jefferson's request under either of the above grounds.[1]

II. The Evidence Will Show That The Purchase Price Should Be Treated As Confidential Information.

To qualify for confidential treatment, Jefferson must demonstrate that the purchase price meets the standard contained in ARSD 20:10:01:42, which provides in relevant part:

> The party requesting confidentiality has the burden of proving by a preponderance of the evidence that the information qualifies as confidential information by showing that disclosure would result in material damage to its financial or competitive position, reveal a trade secret, or impair the public interest.

The evidence presented at the hearing will demonstrate that the public disclosure of the purchase price for the stock of Jefferson Telephone Co. would "materially damage" Jefferson's financial position.

When telephone properties become available for purchase, they are brokered to a broad range of potential buyers. The competition between those buyers is very intense. In this case, Jefferson knows that there were at least two other buyers that were seriously

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[1] Jefferson's Request For Confidential Treatment listed the purchase price as a trade secret. That has been the justification relied on in other Commission Dockets for treating the purchase price as confidential information. The Commission may, however, grant confidential status without finding that the information qualifies as a trade secret. ARSD 20:10:01:41 allows the Commission to consider all possible grounds, including those not included in the initial request.

competing for the opportunity to purchase the Jefferson Telephone Co. stock. If the price paid by Jefferson becomes public, competitors for future acquisitions would gain important knowledge concerning Jefferson's purchasing strategies. The result could be that Jefferson would either be out bid on a future acquisition, or that it would be forced to pay a higher price than otherwise necessary.

Even in the absence of competition, a known prior purchase price for one company would likely be treated by future sellers as the floor price (rather than the ceiling price it was in this case), thus, driving up the purchase price for future properties.

Trade secrets are very broadly defined in SDCL § 37-29-1 to include information that:

> (i) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and
>
> (ii) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

The evidence at the hearing will further demonstrate that the purchase price has economic value to Jefferson because it is not generally known, and that Jefferson has taken reasonable efforts to maintain its secrecy.

Jefferson's position that the purchase price should be classified as confidential information is further supported by the fact that such information has been treated as confidential information in prior Commission proceedings. 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 purchase price was also treated as confidential in the sale of the Kadoka Telephone Co. stock. (Docket TC96-167.) Commission Rule, ARSD 20:10:01:43, provides:

> If the commission has made a prior ruling that the information is confidential, the commission may take notice of the prior ruling. The commission shall consider whether or not the circumstances of the request are the same as in the prior ruling in determining what weight, if any should be given to the prior ruling.

In this case, Jefferson is not aware of any circumstances that would justify treating the purchase price of Jefferson Telephone Co. stock differently than the purchase price of other telephone properties.

In summary, the evidence provided at the hearing will support classifying the purchase price as confidential data: a) its disclosure would damage Jefferson's financial interests; b) nondisclosure of the information has independent economic value; c) Jefferson has taken efforts not to disclose the information; and d) past Commission proceedings have treated the purchase price for telephone properties as confidential data.

III. The Public Interest Is Not Harmed By Granting Confidential Treatment.

The purchase price has been presented to the Commission primarily because it is included in the Purchase Agreement. While the terms of the Purchase Agreement are important to this proceeding, for the below described reasons, the purchase price for the Jefferson Telephone Co. stock is not, and withholding the purchase price from public disclosure would not harm the public interest.

The Commission has included a provision in its previous orders approving the sale of telephone property that makes knowledge of the purchase price unimportant to the ratepayers. That provision prevents a company from charging rates based on the acquisition price, stating:

> The Commission shall approve the sale of the exchange to the Buyer, subject to the following conditions:
>
> . . .
>
> (b) That the Buyer shall not recover any acquisition adjustments through its regulated interstate or intrastate rates, through its local rates, or through federal or state universal service funds.

(See, e.g., Decision And Order Regarding The Sale Of The Clearfield Exchange, dated October 24, 1996, Docket TC96-125.) Jefferson agrees to be bound to by this requirement. Therefore, the purchase price has no effect on the rates charged and is not important to the public.

There is a further reason why the purchase price is not relevant to the Commission's decision in this case. As the Purchase Agreement indicates, by acquiring the Jefferson Telephone Co. stock, Jefferson also acquires a 51% in interest in JCI and a 17.34% interest in EDSC, both of which are interests in cellular operations The Commission has no jurisdiction over the sale of interests in cellular properties. Consequently, the purchase price does not reflect the actual value paid for the telephone company operations.

In contrast, Jefferson has publicly disclosed the amount it intends to borrow to finance this purchase. That information is of greater public interest because it will be a cost of doing business. Jefferson disagrees that releasing the amount of debt that will be incurred is a "partial disclosure of the purchase price" amounting to a waiver. Mr. McKenna does not indicate, for example, the amount of equity that will be provided by the buyers. As such, the purchase price cannot be determined from this disclosure and no waiver has occurred.

Finally, the Commission should be sensitive to the consequences to the sellers (who are individuals and not corporations) of divulging this information. No one would willingly subject their personal financial information to public disclosure. Consequently, there should be a real public need before the Commission orders the public disclosure of this information. In this case, there is no public need for that disclosure.

IV. Conclusion.

Based on the above considerations and the information that will be provided at the evidentiary proceeding, Jefferson Communications, LLC respectfully requests that the Commission determine that the purchase price paid for the Jefferson Telephone Co. stock is confidential information.

Dated: December 1, 1997

Respectfully submitted,

Michael J. Bradley

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

and

Margaret M. Prahl
Heidman Law Firm
701 Pierce Street, Suite 200
Sioux City, IA 51102

Attorneys on Behalf of Jefferson Communications, LLC

<u>Certificate of Service</u>

I hereby certify that an original and eleven copies of the above and foregoing Prehearing Brief on Confidentiality filed on behalf of Jefferson Communications, LLC were sent via Federal Express on the 1st day of December, 1997, 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

Jean J. Hunsinger

Camron Hoseck
South Dakota Public Utilities Commission
State of South Dakota
500 East Capitol
Pierre, South Dakota 57501

Paul Bergmann
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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE SALE OF THE STOCK OF JEFFERSON TELEPHONE CO. TO JEFFERSON COMMUNICATIONS, LLC.	)))))	**AMENDED ORDER FOR AND NOTICE OF HEARING AND PROCEDURAL SCHEDULE TC97-159**

On September 23, 1997, the Commission received a joint application from Jefferson Telephone Co. and Jefferson Communications, LLC, collectively referred to as Applicants. The Applicants jointly applied to the Commission for approval of the sale of the stock of Jefferson Telephone Co. to Jefferson Communications, Inc.

On September 25, 1997, the Commission electronically transmitted notice of the filing and the intervention deadline of October 10, 1997, to interested individuals and entities. No parties have sought intervention in this docket.

On October 10, 1997, Commission staff filed a resistance to Jefferson Communications' request that the purchase price of the exchange be afforded confidential treatment on the grounds that Jefferson Communications has not shown entitlement to such treatment as a matter of law and further upon the grounds that the public is entitled to such information concerning public utilities.

The Commission has jurisdiction in this matter pursuant to SDCL Chapters 1-26 and 49-31, including but not limited to SDCL 49-31-59, and ARSD Chapter 20:10:01. The Commission may rely upon any or all of these or other laws of this state in making its determination.

A hearing on this application will begin at 2:00 P.M., on December 11, 1997, in Room 423, State Capitol, Pierre, South Dakota, for the consideration of this matter.

The issues at the hearing are:

1. Is the purchase price of the exchange confidential and therefore not subject to disclosure to the public?

2. Whether the sale of the stock of Jefferson Telephone Co. to Jefferson Communications 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) Applicant and (2) Staff.

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 rule that the purchase price of the telephone exchange which is the subject of this docket shall be disclosed to the public and it may either approve or reject the application. 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 (1) Commission staff's motion regarding confidentiality of the purchase price and (2) this joint application for approval of the above referenced telephone exchange within the state of South Dakota at the time and place specified above. It is further

ORDERED that prefiled testimony shall be filed pursuant to the following schedule:

~~Applicants will file initial testimony on or before November 28, 1997.~~

Applicants will be allowed to offer rebuttal at the hearing.

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 5th day of December, 1997.

CERTIFICATE OF SERVICE

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

By: Delaine Kolbo

Date: 12/5/97

(OFFICIAL SEAL)

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

William Bullard Jr.

WILLIAM BULLARD, JR.
Executive Director

RECEIVED

DEC 11 1997

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

STATE OF SOUTH DAKOTA
COUNTY OF HUGHES
SIXTH JUDICIAL CIRCUIT

In the Matter of the Petition That Michael J. Bradley be Permitted to Appear Before the South Dakota Public Utilities Commission in Administrative Hearings	))))	No. ____________

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ORDER GRANTING THAT NONRESIDENT ATTORNEY BE ADMITTED PRO HAC VICE

------♦------

The Motions that Michael J. Bradley be admitted pro hac vice to appear before the South Dakota Public Utilities Commission in the following administrative hearing conducted pursuant to S.D.C.L. ch. 1-26 are granted.

In the Matter of the Sale of the Stock of Jefferson Telephone Co. to Jefferson Communications, LLC
SDPUC Docket TC97-159

Dated: 12/10, 1997

Circuit Court Judge

State of South Dakota } ss
County of Hughes }

I hereby certify that the foregoing instrument is a true and correct copy of the original on file in my office.
Dated this 10th day of Dec. 1997
MARY L. ERICKSON, Clerk of Courts
By Sharon McCastaffer
Clerk of Courts (Deputy)

STATE OF SOUTH DAKOTA
CIRCUIT COURT, HUGHES CO.
FILED
DEC 10 1997
Mary L. Erickson CLERK
By____________ Deputy

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THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF SOUTH DAKOTA

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DEC 16 1997

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE SALE OF THE STOCK OF JEFFERSON TELEPHONE CO. TO JEFFERSON COMMUNICATIONS, LLC.) TC97-159

HEARD BEFORE THE PUBLIC UTILITIES COMMISSION

PROCEEDINGS: December 11, 1997
2:00 P.M.
Room 423, Capitol Building
Pierre, South Dakota

PUC COMMISSION: Jim Burg, Chairman
Laska Schoenfelder, Commissioner
Pam Nelson, Commissioner

COMMISSION STAFF PRESENT: Rolayne Ailts Wiest
Camron Hoseck
Bob Knadle
David Jacobson

Reported by: Lori J. Grode, RMR

A P P E A R A N C E S

For Jefferson Communications:

Michael J. Bradley
Moss & Barnett
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Minneapolis, MN 55402-4129

Darla Pollman Rogers
P.O. Box 89
Onida, SD 57564

I N D E X

E X H I B I T S

P R O C E E D I N G S

CHAIRMAN BURG: I'll begin the hearing for Docket TC97-159, In the Matter of the Sale of the Stock of Jefferson Telephone Company to Jefferson Communications, LLC. The time is 2:00 p.m. The date is December 11, 1997; and the location of the hearing is in Room 423, State Capitol, here in South Dakota.

I am Jim Burg, Commission Chairman. Commissioners Laska Schoenfelder and Pam Nelson are also present. I am presiding over this hearing. This hearing was noticed pursuant to the Commission's Amended Order For and Notice of Hearing and Procedural Schedule issued December 5, 1997.

The issue at this hearing is whether the sale of the stock of Jefferson Telephone Company to Jefferson Communications, LLC, should be approved.

All parties have the right to be present and to be represented by an attorney. The public is invited to participate by testifying at this hearing. All persons so testifying will be sworn in and subject to cross-examination by the parties. By testifying at this hearing your comments will be part of the record in these proceedings. The Commission's final decision may be appealed by the parties to the State Circuit Court and the Supreme Court.

The order of the proceeding will be in the following sequence: the purchasing company, staff, and the public in general. Pursuant to SDCL 49-31-59, any sale of a telecommunications exchange shall be approved by a vote of the Commission. In voting, the Commission shall, if applicable, consider the protection of the public interest, the adequacy of local telephone service, the reasonableness of rates for local service, the provisioning of 911, enhanced 911, and other public safety services, the payment of taxes, and the ability of the local exchange company to provide modern state-of-the-art telecommunications services that will help promote economic development, telemedicine, and distance learning in rural South Dakota.

At this time I will turn it over to Rolayne Wiest to conduct the hearing.

MS. WIEST: I'll take appearances of the party. Who appears on behalf of Jefferson Communications?

MR. BRADLEY: Commissioners, my name is Mike Bradley. And with me today is Darla Rogers, my local counsel.

MS. WIEST: And who appears on behalf of staff?

MR. HOSECK: Camron Hoseck on behalf of

staff.

MS. WIEST: Before we get to opening statements, I believe first what we'll do is address the confidentiality issue. Staff has filed a resistance to request for confidential treatment of information. And we'll hear arguments at this time. Do you have anything further to add, Mr. Hoseck?

MR. HOSECK: I can summarize if the Commissioners would desire that?

CHAIRMAN BURG: Please.

MR. HOSECK: Basically, Mr. Chairman, members of the Commission, staff has resisted the request for confidential treatment of information filed by Jefferson Communications, Limited Liability Company. Specifically what staff is contesting is the fact that the purchase price itself of the stock, of this sale of the stock of this company is being requested to be treated confidential.

In the request that Jefferson -- and when I use the word Jefferson here, it's the purchaser, Jefferson. As I read the request, it talked about this in terms of it being a trade secret. That word trade secret takes on some significance under South Dakota law, and it's defined under South Dakota law as something that has an independent economic value from not being known by other parties who can then obtain economic value from its disclosure. That's my paraphrasing of that.

In the request the assertion is made by Jefferson that the purchase price is considered by telecommunications companies to be considered confidential. I would submit to the Commission that that is argument of counsel. And basically what staff is challenging here is the request for confidential treatment without a further showing that the disclosure of this information somehow has an economic disadvantage to the purchaser and has some economic value to somebody else out there.

Interestingly enough, in the prefiled testimony of Mr. McKenna, at page seven, line nine, there is a response to a question as to the amounts being financed in the purchase of this telephone exchange. I'm not sure exactly what the amount is. I believe there's a typographical error. But at any rate, there isn't an amount that's disclosed. And because of that disclosure, staff's position is that there has been a waiver of this claim to confidentiality.

In other words, what I'm saying is that on one hand, the purchaser cannot claim that this price is confidential, while on the other hand releasing part of what that price -- or what I'm assuming that price is. And, in other words, the staff's position on this is that Jefferson cannot have the best of both worlds.

The final consideration for this motion and one of a general nature is that staff would assert that as a public utility, the telecommunications company is not treated like other private corporations and that the public has a right to know what purchase prices are. And I have cited this in my brief, three statutes which lend credence to this argument, the first of which is that public records are open to the public to look at; that the proceedings of this Commission are open to the public; and, finally, that even under what I like to refer to as old Senate Bill 240, which is now 49-31-59, the law that governs the sale of exchanges, these sales are to be given a high level of scrutiny.

And so for that reason, staff feels that there is an overriding public interest argument for the disclosure of the purchase price for that amount that is paid for the telephone exchange which is the subject of this petition. Thank you.

MS. WIEST: Any questions?

CHAIRMAN BURG: The one I would have is do you see any harm to the public if it is kept confidential?

MR. HOSECK: In response to that, Mr. Chairman, I don't think that that is the standard in the first place on whether there is harm to the public. But whether or not the public's interest will be served in the final analysis, and that is that if it's a public utility, the affairs of the public utility should have a public disclosure. And that if I were, for instance, a patron of this exchange, I might like to know what was paid for it in case my rates are affected at some point in the future. And so in that respect, the public interest is served if it is disclosed.

CHAIRMAN BURG: Is it also your opinion, then, that they could be harmed if it is not?

MR. HOSECK: Absolutely, because of the public's right to know.

CHAIRMAN BURG: On another question, I don't remember on each of the particular dockets, did you make a recommendation in any of the sales that's come before this Commission on public disclosure of the sale price?

MR. HOSECK: I don't know that I did make a recommendation. I may or may not have. I cannot recall that for sure.

CHAIRMAN BURG: That's all I have.

MR. HOSECK: I don't believe that I did, but I would not represent that to you absolutely.

MS. WIEST: So why did staff change its position on this docket?

CHAIRMAN BURG: That was going to be my question.

MR. HOSECK: I don't know there was necessarily a change. If you recall, last year on the Kadoka Exchange the question was asked; and I believe that because of a lack of doing any preliminary motions on it, the area was dropped. This is the first sale of exchanges that has come up since that time, that I can recall that I was involved in. And if it's a change in position, it's a position because of awareness of what's going on in this area and staff's desire that the public be informed of the details of these sales and then given the scrutiny that the legislature has dictated or specified in its statute.

CHAIRMAN BURG: That's all I have.

MS. WIEST: Mr. Bradley.

MR. BRADLEY: Thank you. Staff's position is basically that we haven't provided adequate factual support for our statements. And I intend this morning -- this afternoon to address that by, in fact, calling a witness to provide factual support for the claims made in our filing, certainly as I read the staff's position, the primary defect.

Before I do that, though, I'd like to see if I could place this in the context of how we read the law. Staff points out that public utilities are not entitled to the same level of privacy as private citizens, and clearly that's true. However, your rules and the law also recognizes that there are instances in which the needs and interests of those people who come before you for privacy outweighs the public interest for all knowledge of all facts. And we believe that this is one of those circumstances.

Your rule 20 -- ARSD 20:10:01:39 provides two bases for support. One would be if it qualifies as a trade secret, which you have also given yourself broader authority, to make any information confidential that you think would be appropriate to be treated as confidential. And we think you could grant confidentiality under either of those. Your rule 20:10:01:42 places my client, Jefferson Communications, with the burden of proving that disclosure would result in either material damage to its financial position, or would result in the revealing a trade secret, or that it would damage the public interest. And through the testify of Mr. McKenna, we think we'll be able to demonstrate that, in fact, these circumstances exist in this case.

A trade secret is very broadly defined by state law 37-21-1 to include any information that derives economic value, actual or potential, from not being generally known and that the information has been -- that we've taken reasonable efforts to keep that information from being provided to the public. Again, through testimony of Jim McKenna, we will demonstrate that those standards have been met.

ARSD 20:10:01:43 provides that in citing this issue the Commission may look to its past precedent. The Commission is correct in noting that this type of information, the specific information has been treated as confidential in all of the U S West sales to date and in the Kadoka sale. And, in fact, the filing that I used to request confidentiality was identical to the filing that I filed on behalf of my clients in each of those prior proceedings.

We will also demonstrate that the actual purchase price is not materially important to the public. First of all, the purchase price has nothing to do with the rates because as this Commission is well aware, you are going to require my clients as a condition of the sale to agree there will be no acquisition adjustment. We will have to set rates on something other than the purchase price. In fact, the purchase price, as Mr. McKenna will explain, includes not only the purchase of the telephone company, but an interest in two cellular interests. So the purchase price itself would not tell you what the purchase price of the telephone company is. It's bundled together with cellular interests which are not subject to this Commission's regulation.

And at this time with your consent, I'd like to call Jim McKenna.

MR. HOSECK: Can I respond first?

MS. WIEST: Yes.

MR. HOSECK: In response to Mr. Bradley's points, I would just like to make a couple. One, it appears that Mr. Bradley is expanding the scope of his claim of confidentiality of this matter since the petition references specifically the trade secret aspect of our rule. Now, if this is being expanded, then that's a little bit different twist on the proceedings.

As to this matter of precedence, I think that the Supreme Court in this state has been rather emphatic in stating precedence does not exist in administrative matters. And, in fact, in looking at the Commission's own rule on this matter, it talks about the Commission may take notice of prior rulings and whether or not the circumstances are the same and so on and so forth. I think that there is a difference between what the rule provides and the actual application of precedents as it exists as a matter of law.

And one of the things that the Commission can look at is whether or not there's been any type of a change in circumstances. And one of the things that staff is asking the Commission to look at in the evaluation of this issue is whether or not there's -- there are too many things that are filed in a confidential nature that are truly not of a confidential nature, especially when we're dealing with a public utility. Thank you.

MS. WIEST: Just for clarification, Mr. Bradley, are you calling a witness just to address confidentiality at this time or the entire case?

MR. BRADLEY: Just to address confidentiality at this time. And if I could have one point, I'd like to point out that your rules 20:10:01:41 allows the Commission in this circumstance to consider all possible grounds, including those not included in initial request. As I indicated, our initial request was patterned after that which had been successful in every other case. Now that it's being contested, of course, we're broadening it to include all of the possible issues.

MS. WIEST: You may call your witness.

MR. BRADLEY: Jim McKenna, please.

JAMES J. MCKENNA,

called as a witness, being first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. BRADLEY:

Q. Would you please state and spell your name for the record.

A. James J. McKenna, M-c-K-e-n-n-a.

Q. By whom are you employed?

A. Long Lines, Ltd.

Q. Would you please describe your job title and responsibilities with Long Lines, Ltd.?

A. I'm executive vice-president and chief telecommunications officer for Long Lines, which owns 100 percent of the stock of Jefferson Communications.

Q. And Jefferson Communications is the company that's purchasing Jefferson Telephone Company stock?

A. Yes, it is.

Q. And Jefferson Communications has requested that the purchase price for acquiring the Jefferson Telephone Company stock be treated as confidential data?

A. Yes.

Q. How do owners like Jefferson Telephone Company get the word out that they're interested in selling their stock?

A. By consultants, accounting firms. There's various ways to do it.

Q. Is the fact that the telephone companies on the market are generally well known among those parties interested in purchasing the property?

A. Yes.

Q. How did your company become aware that Jefferson Telephone Company was for sale?

A. A consulting firm.

Q. Besides getting the word out through these consultants, do these consultant provide other services in the sale process?

A. Yes.

Q. What would those be?

A. They will deal with you in preparing a bid for the purchase.

Q. In your experience is there usually

competition between potential buyers for properties like Jefferson Telephone Company?

A. Yes.

Q. In this case how many competing groups were interested in purchasing Jefferson Telephone Company stock?

A. Three that I know of.

Q. Did Jefferson use a bidding process for selecting between the competing buyers?

A. Yes.

Q. What were some of the factors your company took into consideration in making its bid?

A. The location, size of the company, and the benefit it would have to our company.

Q. Did you take into consideration the economic value of the company?

A. Yes.

Q. And when you're selecting your bid, is that the only factor you take into consideration in making the bid, the economic value?

A. That's one of them, yes.

Q. You take into consideration the fact that to be successful you have to have a successful bid?

A. Yes.

Q. In making your bid did you estimate how much the other bidders were likely to offer for the property?

A. Yes.

Q. If one of your competitors had recently purchased another telephone property and you knew the price that that competitor had paid for that property, what value, if any, would that give you in making your bid?

A. It would give me quite a bit of value.

Q. How so?

A. It sets a precedent on price that we know of.

Q. So in setting your price, if you knew what someone else was paying, if you want to be successful, you know you're going to have to pay more or less?

A. That's right.

Q. Which, more or less?

A. More. If you pay less --

Q. If you pay less you lose; right?

A. Right.

Q. If the purchase price for Jefferson Telephone Company is made public, could that materially damage your financial position with respect to future purchases?

A. Yes.

Q. Why?

A. Because it sets a precedent as a starting price for a phone company and not which is our cap price for this particular property.

Q. Would it mean to you that if you want to be successful in the future bids you would to have pay more?

A. Yes.

Q. Let's assume that there are no competitors and instead you're going to negotiate the purchase price. If your past purchase price your company has paid is publicly known to the sellers, what impact does that have?

A. Quite a bit of an impact. That's the starting price then instead of a ceiling price for that particular company.

Q. In this case do you feel that you paid the starting price and the ceiling price?

A. I paid the ceiling price.

Q. Your ceiling price in this case would become the starting price at future negotiation if this price becomes public?

A. Yes.

Q. And is it your position would that materially damage your company's financial position?

A. Yes.

Q. In your opinion does the nondisclosure of the information have independent economic value to your company?

A. Yes.

Q. Has your company taken reasonable efforts to keep the purchase price confidential?

A. Yes, we have.

Q. Who within your company knows what you paid for the stock?

A. Myself, the president, and the chief financial officer.

Q. And why have you limited it to those three people?

A. They're the only ones that need to know.

Q. Does the purchase agreement require that both the buyer and seller keep the terms of the purchase agreement confidential?

A. Yes.

Q. Paragraph 8-A contains a general obligation that seller shall not disclose any secret or confidential information including any information pertaining to the company.

A. Yes.

Q. Paragraph 5-F provides, in part, no party shall disclose existence of this agreement without the prior written consent of the other party?

A. Yes.

Q. That provision then goes on to allow disclosure to the extent necessary to obtain financing and satisfaction of the conditions precedent to closing.

A. Yes.

Q. Is Jefferson Communications paying a purchase price that is in excess of the company's net book value?

A. Yes.

Q. Does the price in excess of net book value reflect the company's goodwill and value as an ongoing company?

A. Yes.

Q. Are you familiar with the concept of an acquisition adjustment?

A. Yes, I am.

Q. And in past proceedings involving the sale of telephone properties the Commission has imposed a condition that "the buyer shall not recover any acquisition adjustments through its regulated interstate or intrastate rates, through its local rates, or through federal or state universal service funds." Is that condition acceptable to your company?

A. Yes, it is.

Q. Does the adoption of that condition mean that telephone rates cannot be based on the purchase price?

A. Yes.

Q. What, then, is the relationship between the purchase price and future rates?

A. There isn't any.

Q. The purchase price listed in the stock purchase agreement is for Jefferson Telephone Company stock?

A. Yes.

Q. And by buying that stock in Jefferson Telephone Company do you also purchase a 51 percent interest in Jefferson Cellular, Inc., and a 17.34 percent interest in Eastern South Dakota Cellular, Inc.?

A. Yes, we do.

Q. Those are both what kinds of companies?

A. Cellular companies.

Q. So the purchase price is higher than it would have been if you would be buying a telephone company alone without having bought those cellular interests?

A. Yes.

Q. In your prefiled testimony you state that Jefferson Communications will borrow $2,625,000 for this acquisition?

A. It's actually $2,800,000.

Q. That's one of the corrections you'll make to your testimony?

A. Yes.

Q. Is that loan amount for both the telephone company and the cellular interests?

A. Yes, it is.

Q. What does the public disclosure of that amount of the loan tell the public about the actual purchase price?

A. Nothing.

Q. And why does it tell them nothing?

A. Doesn't tell them what we have in equity into it already.

Q. Does it also not tell them because you've acquired both a telephone interest and cellular interest?

A. Yes.

Q. Have you disclosed in your prefiled testimony the equity interest that you've got in the company?

A. No.

MR. BRADLEY: That's all the questions I'd like to ask. And if I could, I'd go right into a very, very brief closing statement.

MS. WIEST: Do you have any questions?

MR. HOSECK: I have some cross-examination on the disclosure issue.

MS. WIEST: All right.

CROSS-EXAMINATION

BY MR. HOSECK:

Q. Mr. McKenna, tell me -- or, rather, tell the Commission how a competitor of yours gets anything of value by knowing what you paid for this exchange.

A. Somebody asked me that the other day. I compared it to land. If you have a parcel of land and you sell it for $2,000 an acre, your neighbor knows exactly what that is. His starting price is going to be $2,000. Same thing here. There's -- in today's market there's a lot of property going to be sold or has been sold. Once you know what the price for access line is, that's going to be a lot of people's starting price. You still might be able to get them cheaper than that. I'd just as soon not have anybody know what we paid Dick for his property.

Q. So basically it's your desire not to have this information become public; that is an overpowering factor here; is that correct?

A. That's one of the factors.

Q. And to get back to your analogy of the sale of telephone exchanges compared to land, in a land sale that is recorded and becomes a public document in the Register of Deeds office, does it not?

A. I'm sure it does, yes.

Q. And, in fact, aren't sales of land often monitored by a directors of equalization on a county-wide level?

A. Yes. This was just an example. It has nothing to do with the purchase of a phone company.

Q. Let me back away from that a little bit, Mr. McKenna, and ask you this: Is the purchase of a telephone exchange such as you have done in this case, a market-driven type transaction?

A. Sometimes, yes.

Q. Well, was it in this particular case?

A. I don't think so.

Q. You didn't look at any market for telephone companies or what they were going for at all when you formulated your bid?

A. We knew just from past experience. We didn't have to go out and look. We knew what they were worth. We own a phone company. We know what that's worth. We think we know what it's worth, and we just went on that assumption.

Q. Is it a market-driven situation in this sense that it was a transaction between a willing seller and a willing buyer in an arms-length type of setting?

A. I'm not sure.

Q. Well --

A. Ask that question one more time.

Q. Was it a sale between two willing parties?

A. Yes, yes.

Q. And there was neither party acting under any pressures or compulsions or anything of that nature in terms of selling it?

A. No, no.

Q. Okay. How are telephone companies valued for purposes of purchase?

A. That, I would have to refer that over to my chief financial officer. He is more up on that than I am.

Q. Well, can you tell me in general terms how you decided what to pay for this?

A. Well, we didn't break it down into the phone company itself. It has the cellular portion with it, and we took that into account. We did not break them into separate entities. We bundled them together.

Q. And so what you're telling this Commission is that if, for instance, this sale price -- and I don't care about your cellular companies because it's my position we don't have any jurisdiction over those.

A. Right.

Q. But as to the telephone exchange that this Commission does have jurisdiction over, if someone was to find out the information as to what you paid for the exchange, basically you're saying that it sets a floor price for future purchases; is that correct?

A. In this area, yes.

Q. And in that sense it would be no different than a land purchase and that was the analysis you drew; is that correct?

A. That was an example I used.

Q. Are there going to be any mortgages connected with this sale that are going to be of public record?

A. Not that I know of.

Q. Are there going to be any filings with the South Dakota Secretary of State, for instance, of any security interests that people may have in this?

A. I don't think so, no.

Q. But you are borrowing some 2.8 million dollars?

A. 2.8, yes.

Q. Well, somebody is going to be recording something in this, I assume.

A. I'm sure they will.

Q. So there will be at least a record of that transaction will be in the public --

A. Yes.

Q. -- besides these transactions; is that not correct?

A. I would assume so, yes.

Q. And this is just the purchase of stock. Am I understanding that correctly?

A. That's correct.

Q. Now, I believe you made the statement -- and you can correct me if I'm wrong -- as to this loan amount, this $2,800,000, that that really tells the public nothing. But let me ask you this question: Does that not tell the public that you are paying at least $2,800,000 for some cellular interests, plus this exchange?

A. I'm sure it does, yes.

Q. So there is some sort of a disclosure to the public already, isn't there?

A. I think that was filed because we had to file that. And I'd have to refer that to our lawyer.

Q. And with regard to this confidentiality part of your agreement where you and the seller have agreed that you won't reveal what was paid for this telephone exchange, that is just part of the agreement between you two parties, is it not?

A. Yes, it is.

Q. It has nothing do with any overriding responsibility that this Commission may have to the public, does it?

A. No.

MR. HOSECK: Okay. I have no further questions of this witness.

MS. WIEST: Any questions by the Commissioners?

COMMISSIONER SCHOENFELDER: I have one. If you or Mr. Bradley, one or the other, said it would affect your position if it were a market-driven purchase and but disclosure at this time couldn't affect the purchase price of this company?

A. No, of this company.

COMMISSIONER SCHOENFELDER: It would only have to bear if you decide to purchase other properties?

A. Yes.

COMMISSIONER SCHOENFELDER: In other areas or an area or wherever, wouldn't that be?

A. Yes, that's correct.

COMMISSIONER SCHOENFELDER: Thank you.

MS. WIEST: Any other questions?

CHAIRMAN BURG: The only one I'd have is do you see -- you know, they've claimed there's any public interest, that there's a public interest to know. Do you have a comment on that?

A. I don't think there is a public interest to know. And talking with the man we're buying it from, I don't know that it would be any interest of him to let the public know being a small community that it is. I don't think they need to know his net worth at this time.

CHAIRMAN BURG: Do you think he would be harmed if they did?

A. I think so, yes.

CHAIRMAN BURG: That's all I have.

MS. WIEST: Any other questions?

COMMISSIONER SCHOENFELDER: I want to follow that up with one more. If, in fact, they, the neighbors downtown, knew the purchase price of this would not necessarily reflect that's what his net worth was, is that right?

A. That's correct.

COMMISSIONER SCHOENFELDER: Thank you.

MS. WIEST: Any other questions, Mr. Bradley?

MR. BRADLEY: In closing -- I don't have any redirect. In closing, I just would like to point out that Mr. McKenna's testimony demonstrates disclosure would materially damage its financial position with respect to any future opportunities to purchase telephone properties in this area. We think that qualifies as a trade secret. It qualifies as a trade secret. It need have only actual or potential value. So the fact it would have potential value on the future sales is adequate to meet the requirements of the state law.

And we think the disclosure would impair the public interest because let's be realistic about this thing. We're talking not only about this company, but we're also talking about the sellers in this case. The sellers in this case aren't a telephone company. The sellers in this case are handful of five or six stockholders who want very much to live and continue to be the same people tomorrow that they were yesterday in their communities. And disclosing this information about their individual value may -- it won't tell their entire net worth, but if you disclose that they sold this property for X amount over 2.8 million dollars, that is going to affect them individually in their communities. And we asked you not to do that without a good reason, and I don't think there's a good reason here.

MS. WIEST: Any closings statement, Mr. Hoseck?

MR. HOSECK: Thank you. In the first place, I'm a bit confused by Mr. Bradley's comments that he just made. I was under the impression that he was representing the purchaser of this stock and not the seller.

That point aside, I think that there has not been a showing that this disclosure of this sale price has an independent economic value. There has not been a showing that this is the equivalent to the formula for CocaCola or anything of that nature that somebody can pick up and run with it and make some money on it. It may have an effect in a market situation as the as Mr. McKenna has aptly pointed out in an analogy to farmland, for instance, but I don't think there has been a showing that it has or that it produces an independent economic value. Thank you.

MS. WIEST: Commissioners?

CHAIRMAN BURG: I'm going to move that we grant the request for confidential treatment of information. I think it's consistent with the position that the Commission has taken in other sales, and I don't see any harm to the public by not disclosing it.

COMMISSIONER NELSON: I'd second it.

COMMISSIONER SCHOENFELDER: I'm going to dissent. And the reason I want to dissent is that I'm really torn at this time between two private parties having to be able to be do business and not disclose the purchase price.

However, even though the price of this telephone company does not have an immediate effect on rates, it will in the long term have a long-term effect on the rates of the consumer in that exchange who is going to pay that rate because sooner or later some way or another this company has to recover the cost of that in their revenues.

But above and beyond that, I cannot believe that you can sell a company and not have the shareholders at least know what the price is. Every day of the week I read in the Wall Street Journal the price of the shares of some company that sold or merged with another company, and so I believe that the standard is that more people know the selling price than do not know the selling price. And I believe that in the past we've treated these very uniquely, and I've never been comfortable that, we should or shouldn't do that. I agree with staff that the public has the right to know when it is a public utility.

But above and beyond that, everyone in the industry and everyone that has anything to do with this industry knows what the rule of thumb is, what the going rate per access line is for telephone companies across the United States. And I couldn't begin to guess what the selling price of this company would be, but I bet I could get fairly close. So I don't understand even how it could have an impact on the market on the local market of the going rate for telephone companies.

So even though I don't think it's an overriding factor in this case, I believe the public's right to know needs to be served by this. And I just am going to dissent because I think that this confidential treatment for the selling price of a company is just sort of not important.

COMMISSIONER NELSON: I guess I supported it but I didn't make any of those prior decisions. And I guess I believe that in the past we haven't done it. I can't see any compelling thing that makes this any more unique or different than the other cases that were decided here. And so since the Commission hasn't done it in the past, and I didn't find a compelling reason to change that practice, I support the recommendation to keep it confidential.

MS. WIEST: Now, let's just go on to merits of the hearing. Do you have any opening?

MR. BRADLEY: No. I think we'd pass on an opening statement.

MS. WIEST: Mr. Hoseck, do you have any opening?

MR. HOSECK: No.

MS. WIEST: Call your first witness.

MR. BRADLEY: Who happens to be Jim McKenna.

JAMES J. MCKENNA,

called as a witness, being previously sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. BRADLEY:

Q. Mr. McKenna, you've previously been sworn. Would you please briefly describe your education and employment background.

A. I started in the Air Force in the telecommunications business. I was in there four years. I got out, I went to college on the GI bill at night while I was working for Northwest Iowa Telephone Company. I've got a total of twenty-eight years of telecommunication experience now.

Q. Have you prefiled direct testimony in this case?

A. Yes, I have.

Q. I believe it's been marked as Exhibit 2. Do you have any corrections that you would like to make to that testimony?

A. Yes, I do on. Page three, line 12, it says instead of two, change that to four existing Jefferson telephone employees. On page four, line 18, strike E in front of the E911. And on page seven, line nine, that should be 2.8 million dollars.

Q. With those two changes, if I were to ask you the same questions today, would your answers be the same?

A. Yes.

MR. BRADLEY: I'd like at this time to move Exhibits 1, 2 and 3.

MS. WIEST: Any objection?

MR. HOSECK: No objection.

CHAIRMAN BURG: Could I go back and ask what the second change was?

A. Page four, line 18. And instead of E911, it's just 911. And I can explain that.

MS. WIEST: Exhibits 1, 2 and 3 have been admitted.

Q. Would you please tell us a little about Long Lines and its affiliates and experience in operating local telephone companies?

A. Long Lines, Ltd., owns an independent phone company, now Northwest Iowa Telephone Company; and Northwest Iowa Telephone Company has been in operation since November of 1941.

Q. How many customers does Northwest Iowa serve?

A. About 4,400.

Q. You've indicated this is a stock acquisition?

A. Yes, it is.

Q. So Jefferson Telephone Company will continue to provide the telephone service to Jefferson?

A. Yes.

Q. You're not seeking any change to Jefferson Telephone Company's Certificate of Authority?

A. No.

Q. Would you please briefly describe Jefferson Telephone Company?

A. Jefferson Telephone Company is an independent phone company with 550 customers.

Q. Does it have how many exchanges?

A. One exchange.

Q. Does it have EAS?

A. No, it does not.

Q. Does a stock sale affect any of the contracts to which Jefferson Telephone Company is a party?

A. No.

Q. Do the buyers agree that if the Commission imposes any condition on the approval of the sale, that buyers will honor all existing Jefferson Company contracts, commitments, leases, licensing, and other arrangements which relate to or arise from or are used for its operation in the purchased exchange?

A. Yes.

Q. Jefferson Telephone Company currently has six employees?

A. Yes, it does.

Q. And you've indicated four will be retained?

A. Yes.

Q. The two that are resigning are Dick Connors, the manager or accountant, and Sheryl Connors, a part-time secretary?

A. Yes.

Q. Who will assume Mr. Connors' management responsibilities?

A. I will.

Q. Who will do the accounting and secretarial services after those two people leave?

A. Long Lines, Ltd., accounting will take care of the accounting functions for Jefferson.

Q. The remaining four employees provide outside plant maintenance, central office maintenance, and bookkeeping services?

A. Yes.

Q. To whom will those employees report?

A. Myself.

Q. If the Commission approves the sale, will that result in any increase in the current rates charged by Jefferson Telephone Company?

A. No, they will not.

Q. Is Long Lines willing to agree it will not increase any rates or change existing rate design for at least 18 months except in Commission order or to reflect a change in local tax rates on a flow-through basis?

A. Yes.

Q. You earlier testified that your company is willing to agree to the condition that will at no time include an acquisition adjustment of rates?

A. Yes.

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

A. No.

Q. Did the buyers agree to the Commission imposing a condition upon the approval of the sale that buyers will continue to provide all existing services currently being offered by Jefferson Telephone Company?

A. Yes.

Q. How much have you planned or budgeted for upgrades and maintenance in the first three years?

A. The first year, 450,000.

Q. And is that a significant amount?

A. Yes, it is for that size of a phone company.

Q. With that investment are you intending to put in alternative toll routing for long distance service?

A. Yes.

Q. What's the purposes of the alternative?

A. The town would not be isolated. That way if a cable was cut one direction we have another route out of town.

Q. Part of that $450,000 is to upgrade from the current DMS 10 switch; is that correct?

A. Yes.

Q. What will they be provided?

A. We will put a remote off of our DMS 100 switch to give them upgraded services.

Q. What types of upgraded services will be available from your DMS 100?

A. All CLASS services, ISDN and E911 when the county requests it.

Q. Will your company also provide voice mail services?

A. Yes, we will.

Q. What has your company done in the way of due diligence to assure that it will, in fact, be able to provide quality service?

A. We had personnel go look at the outside plant, check out the switch and all the toll routing.

Q. Customers currently have local access to Internet. Will that continue after the purchase?

A. Yes, it will.

Q. Will they be granted additional opportunities for local access?

A. They will have two people that they can get access to locally for Internet.

Q. By people you mean companies?

A. Two different companies, yes.

Q. Will emergency services be affected?

A. No.

Q. Jefferson Telephone Company currently provides a form of 911 service?

A. Yes, in the form of a fire bar.

Q. And at this time the Union County does not provide a precept 911 service?

A. That's correct.

Q. And when they are prepared and able to do so will you be able to provide that service?

A. Yes, we will.

Q. And will you be able to provide E911 service when the county is ready to accept E911 service?

A. Yes.

Q. In your opinion, will customer service change as a result of the sale?

A. No.

Q. Will customers be able to make service and billing inquiries by using a local telephone number?

A. Yes, they will.

Q. Is local economic development important to your company?

A. Yes, it is.

Q. How will your company support local economic development?

A. To bring the most advanced services we can at this time through telecommunications.

Q. Will you also support community efforts if there are any?

A. Yes, we will.

Q. You indicated that Jefferson Communications will borrow 2.8 million. Have you received any indication that that loan will be provided?

A. Yes.

Q. By whom?
A. RTFC.
Q. Rural Telephone Finance Cooperative?
A. Yes.
Q. What impact would the sale have on USF?
A. None.
Q. And that's because it's a stock sale?
A. It's a stock sale, yes, it is.
Q. Will the sale of stock sale have any impact on taxes?
A. No, it won't.
Q. Is FCC approval required for the sale?
A. No.
Q. South Dakota statutes 49-31-60 through 49-31-68 seek to insure that all citizens of South Dakota realize "the advantages of the forthcoming information age, including economic development, educational opportunities, heightened level of medical care, and better and more efficient services from all levels of government." Now, you've testified the sale will result in new services including narrow band ISDN, all CLASS services, and alternative toll routing; is that correct?
A. That's correct.
Q. Within six months Jefferson Telephone Company

will being served by a large RSDN switch?

A. A remote off of a switch, yes.

Q. Will these services become available sooner in your opinion as a result of this purchase than they would have if Jefferson Telephone Company's stock has not been sold?

A. Yes.

Q. You testified the sale will help support economic development by providing services needed by the community.

A. Yes.

Q. Will your company work with the educational, medical, and governmental entities to provide the services they need such as distance learning?

A. Yes.

Q. At this time what educational organizations are there in that community?

A. I believe there's just a parochial grade school in that community.

Q. Are there any medical or governmental entities at this time?

A. No.

Q. If they move into town, will you provide the services they need?

A. Yes.

Q. Does your affiliate Northwestern Iowa provide distance learning services?
A. Yes, we do.
Q. So in your opinion you have experience in that?
A. Yes.
Q. Do you believe that approving the sale would be consistent with the statutory directive to us?
A. Yes.
Q. Do you believe approving the sale would be in the public interest?
A. Yes, it would.
MR. BRADLEY: At this time we'd tender him for cross-examination.
MS. WIEST: Mr. Hoseck?
MR. HOSECK: Yes.

CROSS-EXAMINATION

BY MR. HOSECK:
Q. Mr. McKenna, again I want to discuss with you some of the points basically related to the statutes that the legislature have set forth as to what this Commission is to look at on a sale of exchanges. And the first is what are the current rates that are paid by patrons within the Jefferson Exchange?
A. I'm not exactly sure what the rates. I'd

have to ask.

UNKNOWN SPEAKER: I can tell you. Can I tell him?

MS. WIEST: No.

MR. BRADLEY: We did supply that in an information response, if you give me a second.

MR. HOSECK: Well, the witness has been asked a question, Mr. Bradley.

A. At this point right now I don't remember what they are at this point in time.

Q. And with regard to the adequacy of service, could you look at page four of your prefiled testimony, please, on line eight? And generally you say that all services that are currently provided will continue. And then you talk a little bit later about furnishing ISDN and some CLASS services and voice mail within about a six-month period.

A. Yes.

Q. The question that I have is have you done any surveys or any type of polling of the constituency within this exchange as to whether or not there are any other inadequacies as you perceive them? Or, in other words, that there are any other things that need to be remedied?

A. No, we have not yet.

Q. Do you intend to do a survey or something of that nature to see if there is any other type of a need that this exchange has?

A. After we put our remote switch in, we will have the latest software available with all the features that are possible at this present time on a DMS 100 switch. So I cannot think of anything that the customers could ask for that we would not have.

Q. Have you gone out and physically looked at this plant?

A. Yes.

Q. Would you describe for the Commission what that entailed.

A. Driving the boundary to see where his area was, looking at peds, seeing what he had, size cable, looking in town, driving the alleys and looking at the condition of the peds at the same time. You can tell if they're -- what kind of shape appliance by looking inside of a pedestal to see if it's a mousey pad or whatever.

Q. What percentage of this plant is fiber optic

A. Oh, they just put some in. I would guess five percent or less probably five percent.

Q. Based on the survey that you've done, or the evaluation of the exchange, is it your opinion that good service is presently being provided to the patrons of this exchange?

A. Yes.

Q. With regard to the issue of economic development, could you describe what services you intend to provide or what actions you intend to take to promote economic development within the Jefferson Exchange?

A. We hope to promote with the better service state-of-the-art services that we will offer that it will draw more people into the community because of the close proximity to North Sioux City to build. The more customers we have, the better we are, better off we are.

Q. Do you have, for instance, any, for lack of a better word, aggressive programs where you go out and attempt to put together offerings, for instance, to industries that might want to locate in this exchange?

A. We do have -- we don't actively go out and look, but we do have significant strategies that we use on I'm thinking of like a Centrex offering that we offer industries that they haven't been able to turn down yet.

Q. Well, hypothetically, if I wanted to locate a plant in the Jefferson Exchange and it called for some gismos of some sort that are hooked up to a telephone line, and that would be the level of my sophistication, and I come and knock on your door, what would you do for me?

A. I could take you and show you exactly in our office at Sergeant Bluff we have set up different functionalities like ISDN, Centrex. We have the different functionalities that people can look at, see. And we will probably do the same thing in the North Sioux switch also.

Q. Are you a member of or a participant in any regional economic development groups that might be down there in the southeast corner of the state?

A. No, not at this time.

Q. Do you intend to become one?

A. We would like to, yes.

Q. With regard to the school issue -- and I note in your prefiled testimony you say that the Jefferson School is in the process of closing, and I believe you earlier testified that there was a parochial school within the district. Are there any -- are those exclusively the only schools presently serving the districts?

A. Yes, the Jefferson serves, yes.

Q. With regard to the existing parochial school, do you have any special programs or any intent to initiate any specific programs that might aid in distance learning or anything of that nature?

A. We will be able to. We will offer it to them. I know they're in close proximity to Heland High School, and at the present time we are working with some of the schools in Sioux City on developing interactive amongst the schools. So we could add them into it if Heland High School would want to do that.

Q. But if I'm understanding your testimony, at this point in time you have taken no initiatives to do that?

A. Not yet, no.

Q. And with regard to medical care, I believe it was your testimony that there is really nothing being served in that community?

A. There is none.

Q. Have you gone out -- has anybody mentioned that there might be any type of outreach programs or clinics or anything of that nature?

A. No.

Q. Okay. With regard to this amount of money that you're borrowing to finance this purchase, and it's 2.8 million dollars, in your opinion and based on your experience in the telephone business, can you adequately handle and service that debt?

A. Yes.

Q. And will the handling and servicing of that debt in any manner impair your ability to furnish modern state-of-the-art telecommunications services in the Jefferson Exchange?

A. No.

Q. In other words, you're not going to be spending all your money in interest and you will be able to give the people something if they want it?

A. You bet.

Q. One of the questions that Mr. Bradley asked you is with regard to keeping all leases, contracts, so forth, that presently are in existence open and honoring them for a certain period of time. I'm not sure that I caught how long that you were intending to honor these. Was there any time limitation that you intended to honor these?

A. To the length of the contracts, whatever contracts we have, or they have at this time.

Q. At this point in time can you tell the Commission what contracts and leases there are in a general sense?

A. NECA pool agreements is the only thing I can think of right off the top of my head.

Q. What about any of the properties? Are there any of the properties at the physical plant that are subject to leases or contract?

A. No.

MR. HOSECK: I don't believe I have any further questions. Thank you.

MS. WIEST: Commissioners?

COMMISSIONER SCHOENFELDER: I have a few, and forgive me if I missed this. But look at page six of your testimony. On line 17 did you correct that before, or did you really mean your exiting services there? In addition, exiting services. Should that be existing?

A. Yes, it should.

COMMISSIONER SCHOENFELDER: Thank you. I just wanted to make sure you weren't going to exit them. I might have missed this when Mr. Bradley cross-examined you. I need to know do you have two PIC, or equal access on both sides, both inter and intra down there?

A. Yes.

COMMISSIONER SCHOENFELDER: I don't remember if I was taking notes but I didn't --

A. I don't think that was mentioned, but we will have equal access.

COMMISSIONER SCHOENFELDER: And you talked about CLASS, ISDN, and those types of Internet services. Evidently, you must have a couple competitive providers in that exchange.

A. There will be one.

COMMISSIONER SCHOENFELDER: So there will be competition for Internet services there?

A. Yes.

COMMISSIONER SCHOENFELDER: And those will be toll free services?

A. Yes.

COMMISSIONER SCHOENFELDER: And so there will be competition there. What about your price for those kinds of advanced services, are they going to be competitive?

A. Yes, they will.

COMMISSIONER SCHOENFELDER: Are they going to be -- I've quite often heard testimony from purchases in some small companies' territories that the price of ISDN goes up radically once you cross the territorial line. And I understand there might be some differences, but I would just sort of like to have a ball park feeling that it's not going to be radical or be anti-economic development.

A. No. Right now I believe -- and this is I'm talking Iowa right now. Our ISDN rate, seems to me like it's around $70 for that's 2-B plus the two lines and the data channel unlimited use.

COMMISSIONER SCHOENFELDER: Okay. And so that's fairly --

A. Yes.

COMMISSIONER SCHOENFELDER: -- competitive. When you first started talking about your switch you said a DMS 100?

A. Yes.

COMMISSIONER SCHOENFELDER: And then you said it would be a remote switch.

A. It's a remote off of the DMS 100.

COMMISSIONER SCHOENFELDER: So?

A. It uses all -- it uses the sophisticated software of the DMS 100, and it has an umbilical between the two.

COMMISSIONER SCHOENFELDER: It's a remote host configuration?

A. Yes.

COMMISSIONER SCHOENFELDER: And if the umbilical cord is cut, tell me what happens to Jefferson.

A. There's a back door 911 trunking.

COMMISSIONER SCHOENFELDER: What's back door?

A. Okay. If the umbilical is cut, they can still dial 911 and get to anyplace they need to go. They will still be able to call within the exchange. That will not be cut. They will be blocked from the outside world as far as long distance.

COMMISSIONER SCHOENFELDER: However, this is not in place now. This is a future plan and it will be how far in the future? Can you tell me?

A. We're supposed to have it cut over by July. It's on order.

COMMISSIONER SCHOENFELDER: So it will be fairly soon?

A. Yes.

COMMISSIONER SCHOENFELDER: Okay. Then I want to know what type of reliability redundancy?

A. On the switch?

COMMISSIONER SCHOENFELDER: No. I'm talking about network reliability. You know, we talk about self-healing SONET networks, and it sounds good to me, but there must be other types of reliability things there that --

A. Our reliability on this would be the redundant route for long distance. That would be one. The switches are inherently good. They have backup upon backup. With the backup generators and the batteries and just the inherent, they're like 99.9 percent reliability. We haven't had a problem. We have personnel, they're on call 24 hours a day, 365 days a year. So we do what we can, you know, to insure nothing happens.

COMMISSIONER SCHOENFELDER: Does Jefferson belong to that South Dakota network?

A. I believe they do, yes. I think they do, don't they? (Pause.) No, they don't.

COMMISSIONER SCHOENFELDER: Okay, they don't. So then I guess I have some more questions about reliability then. How many in -- and this is probably unfair to ask you as a buyer, but if you have some idea. How many businesses do you have there that if there's a landslide, if there's a flood, if there's -- if I can cut your backbone fiber to the rest of the world between the host and the remote, how many banks, businesses, those kinds of people -- well, you said no hospitals, so those kinds of people that would be affected, though, by the network going down, and how much reliability can you afford those kind of businesses? And I understand that it's extremely important for residences, too, but a bank who's transferring credits at the end of the day, those kinds of things?

A. That's why the redundant route. And even with the --

COMMISSIONER SCHOENFELDER: Is that automatic sort of?

A. Yes, it is.

COMMISSIONER SCHOENFELDER: My computer doesn't see it and hear it?

A. That's right, that's right. So that would be an automatic setup and there would be two trunk routings out. If one side was cut, it would automatically go into the busy state and your call would be routed the other direction. And it just so happens that one fiber route goes north; the other fiber route goes south.

COMMISSIONER SCHOENFELDER: So if I'm a hospital franchise systems or a giant telemarketing firm and I want to locate in your territory, you're going to be able to afford me some type of reliable service that's going to not only enhance your economic development but --

A. Most definitely.

COMMISSIONER SCHOENFELDER: -- also your revenues?

A. You bet.

COMMISSIONER SCHOENFELDER: Okay. I think that's all I have. Thank you.

CHAIRMAN BURG: Just one that occurred to me. How close is this physically to your other holding now?

A. It's about 22 miles, I believe it is, or 23 miles from our Northwest Iowa Telephone.

CHAIRMAN BURG: So that's actually close enough where you can also add backup personnel service --

A. Right.

CHAIRMAN BURG: -- if it was needed?

A. That's correct.

CHAIRMAN BURG: Okay. All I had.

MS. WIEST: Any other questions from the Commissioners? Just to clarify a point, when you testified that you were not going to increase rates for 18 months, were you referring to all rates or just local rates?

A. All rates.

MS. WIEST: Thank you. Mr. Bradley?

MR. BRADLEY: One question.

REDIRECT EXAMINATION

BY MR. BRADLEY:

Q. The road between Northwest Iowa and your properties in Jefferson is what type of road?

A. Interstate 29.

MR. BRADLEY: Thank you. That's all the questions.

MS. WIEST: Thank you. Any further witnesses?

MR. BRADLEY: No, we do not.

MS. WIEST: Staff have any witnesses?

MR. HOSECK: No.

MS. WIEST: Then I think we'll go to closing statements.

MR. BRADLEY: Very briefly. We believe that the testimony we've provided indicates that all of the statutory standards have been met. There can be, I think, no question despite the high quality of service the Connor family has provided for a long time to the Jefferson community, that in fact the community is going to be better off as a result of this sale. And as a result, we request respectfully that you approve the sale.

MS. WIEST: Staff.

MR. HOSECK: Mr. Chairman, members of the Commission, I do not think that all the criteria have been met. One of the primary ones is that of the reasonableness of rates; and there's nothing in the record as to what the reasonable rates are. And I think the record should reflect this and the Commissioners should be aware of what the rates are that are being charged right now that are going to be in effect for 18 months.

MR. BRADLEY: We would certainly -- we have previously provided to staff in an information response the rates, and I would gladly take that, a copy of that response and add that to the record which contains the rates.

MS. WIEST: We could mark that as Exhibit 4 then. Any objection to admitting that document?

MR. HOSECK: No.

MS. WIEST: Then that has been admitted Exhibit 4. Anything else from staff?

MR. HOSECK: With that, staff would withdraw its objection to the criteria not being met.

MS. WIEST: And do you have a recommendation then?

MR. HOSECK: We would recommend approval of the sale.

MS. WIEST: Thank you. Then I would ask if the Commission would care to make a bench decision at this time?

CHAIRMAN BURG: I'll move that we do make a bench decision. And to instigate that, I do have a motion.

I move that the proposed sale of the stock of the Jefferson Telephone Company Exchange be approved as in the public interest subject to the following conditions: First, that the current rates not be increased for 18 months from the date the buyer begins to operate the purchased exchange.

Number two, that the buyer shall not recover any of the acquisition adjustments through its regulated interstate or intrastate rates, through its local rates, or through federal or state universal service funds.

Three, that the buyer shall honor all existing contracts, commitments, leases, licenses, and other agreements which relate to, arise from, or are used for the operation of the purchased exchange.

And, four, that the buyer offer at a minimum all existing services currently being currently offered by the purchased exchange.

COMMISSIONER NELSON: I'd second it.

COMMISSIONER SCHOENFELDER: I'll concur.

MS. WIEST: Thank you.

(THE HEARING CONCLUDED AT 3:00 P.M.)

STATE OF SOUTH DAKOTA)
)
COUNTY OF HUGHES)

I, Lori J. Grode, RMR, Notary Public, in and for the State of South Dakota, do hereby certify that the above hearing, pages 1 through 60, inclusive, was recorded stenographically by me and reduced to typewriting.

I FURTHER CERTIFY that the foregoing transcript of the said hearing is a true and correct transcript of the stenographic notes at the time and place specified hereinbefore.

I FURTHER CERTIFY that I am not a relative or employee or attorney or counsel of any of the parties, nor a relative or employee of such attorney or counsel, or financially interested directly or indirectly in this action.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office at Pierre, South Dakota, this 16th day of December 1997.

Lori J. Grode

Lori J. Grode, RMR

TC97-159

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September 22, 1997

RECEIVED
SEP 23 1997
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

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

Re: In the Matter of the Sale of the Stock of Jefferson Telephone Co. to Jefferson Communications, LLC

Dear Mr. Bullard:

Enclosed please find an original and eleven copies of the Joint Application filed on behalf of Jefferson Telephone Co. and Jefferson Communications, LLC, and the Request for Confidential Treatment of Information filed on behalf of Jefferson Communications, LLC in the above entitled Docket. Due to the large size of the exchange map, we are enclosing only one copy of that document. 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
132458/2%7#01!.DOC

MOSS & BARNETT 1896 Attorneys at Law

TC97-159
RECEIVED

SEP 23 1997
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE SALE OF THE	)	TC97-
STOCK OF JEFFERSON TELEPHONE CO.	)	
TO JEFFERSON COMMUNICATIONS, LLC	)	**JOINT APPLICATION**

Pursuant to SDCL § 49-31-59, the current stockholders of Jefferson Telephone Co. and Jefferson Communications, LLC ("Jefferson Communications") jointly apply to the South Dakota Public Utilities Commission ("Commission") for approval of the sale of the Jefferson Telephone Co. stock to Jefferson Communications. Jefferson Telephone Co. would continue to operate and provide local telephone service under its existing Certificate of Authority after the stock sale.

Jefferson Telephone Co. received a Certificate of Authority on June 24, 1992, to provide telecommunications services in South Dakota. Jefferson Telephone Co. is an independent telephone company located in Jefferson, South Dakota, operating a single exchange serving approximately 550 access lines. A copy of the exchange map is provided as Exhibit A. A copy of the Stock Purchase Agreement is provided as Exhibit B.

Jefferson Communications, a Limited Liability Company with authority to do business in South Dakota, will file testimony supporting the following statements and demonstrating that approval of the stock sale is in the public interest.

1. Jefferson Communications has the financial and technical capabilities to own and assure the proper operation of the Jefferson Telephone Co. Jefferson Communications is a wholly owned subsidiary of Long Lines, Ltd. Long Lines, Ltd. owns Northwest Iowa

EXHIBIT
1

Telephone Company ("NITC"), a local telephone company offering service to 4,700 access lines. (An organizational chart showing Jefferson Communications and its affiliates is attached as Exhibit C.) NITC will provide engineering, switching, billing, maintenance, and outside plant support to Jefferson Telephone Co. NITC has 20 employees and is located only 22 miles away. Jefferson Telephone Co. will also retain two of its existing employees, who will be located in Jefferson, South Dakota, to provide local maintenance and switch support services.

2. Jefferson Communications has the managerial capabilities to operate the Jefferson Telephone Co. The President and the General Manager of NITC will also become the President and the General Manager of Jefferson Telephone Co. Other NITC employees will provide additional managerial, accounting and other support services. In addition, two of the existing Jefferson Telephone Co. employees will be retained to provide local maintenance and switch support services.

3. Rates will not change as a result of this stock sale, and Jefferson Communications 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 and within six months of the close of the sale, Jefferson Telephone Co. intends to offer all CLASS services and ISDN.

6. Customers will continue to be able to communicate with Jefferson Telephone Co. using local calling.

7. The existing E911 emergency services will be unaffected by the sale.

8. Jefferson Communications will work with any interested schools and medical facilities to provide distance learning and tele-medicine as needed. NITC has significant experience in providing distance learning.

9 Jefferson Communications is very aware of the importance of economic development to the communities it serves. It pledges to support local economic development efforts. In addition, NITC has an employee charged with the responsibility of assisting local communities with economic development projects. That employee will be made available to Jefferson Telephone Co. and the community it serves.

10. Tax payments will be unaffected by this sale. Jefferson Telephone Co., as an independent telephone company, pays gross receipts taxes. The telephone operations will continue to qualify as an independent telephone company after the stock sale and, therefore, gross receipts taxes will continue to apply.

11. Jefferson Telephone Co. currently has a DMS 10 switch. Within six months of the close of the sale, it will be replaced with a DMS 100 remote, which will home off of NITC's DMS 100 switch. After the switch change, Jefferson Telephone Co. will be able to provide state-of-the-art services. Jefferson Communications intends to install alternative toll routing facilities and to replace, as necessary, any inadequate outside plant.

12. 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 by December 31, 1997. One of the preconditions for closing is obtaining necessary regulatory approvals. FCC approval is not required.

The sale is scheduled to close by December 31, 1997. One of the preconditions for closing is obtaining necessary regulatory approvals. FCC approval is not required. Therefore, the applicants respectfully request expedited treatment of this matter by the Commission to permit closing by that date.

Dated: September 19, 1996

Respectfully submitted

By Richard W. Connors
Richard W. Connors
On behalf of the current stockholders
of Jefferson Telephone Co.

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

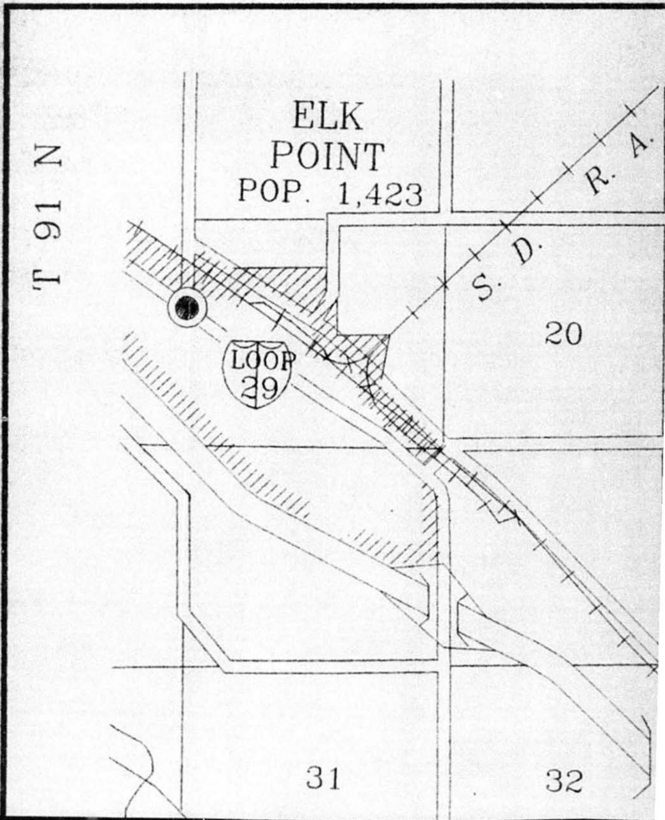
Attorneys on Behalf of
Jefferson Communications, LLC

NEXT

DOCUMENT (S)

DISREGARD

BACKGROUND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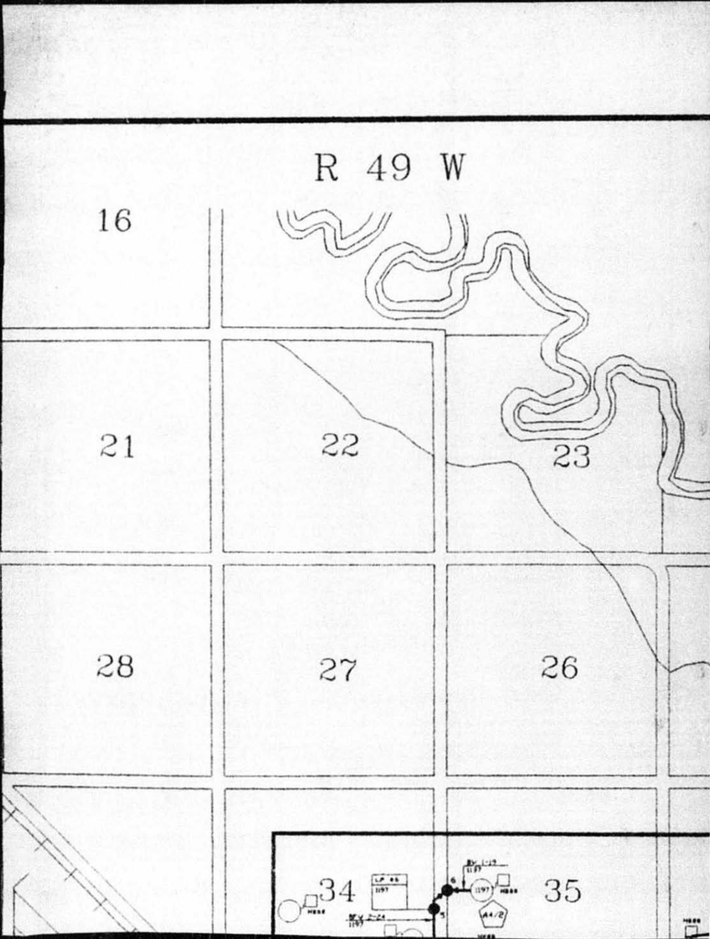
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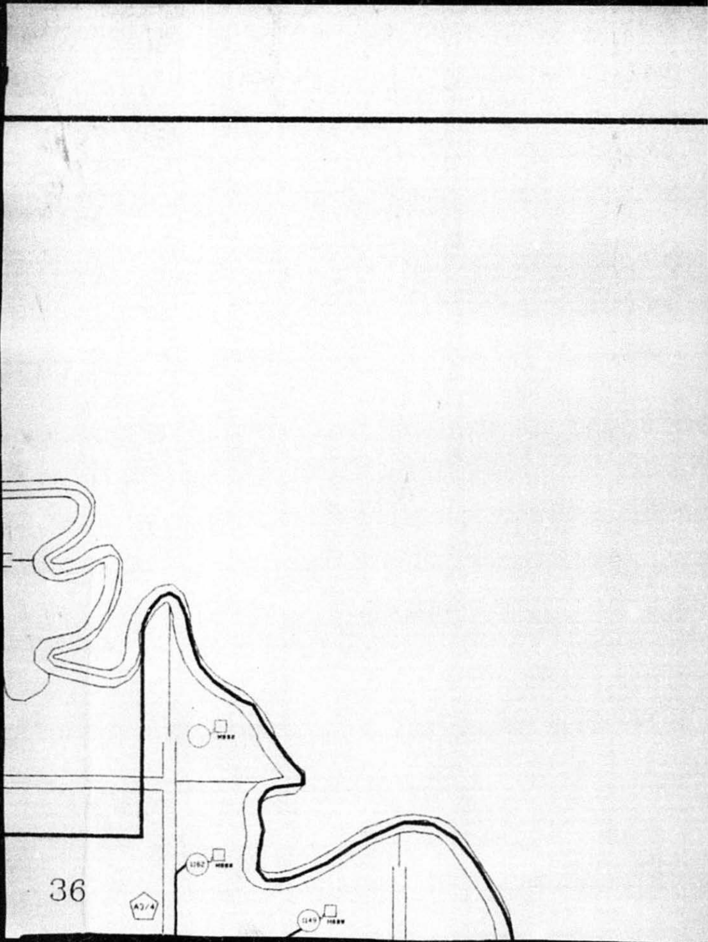
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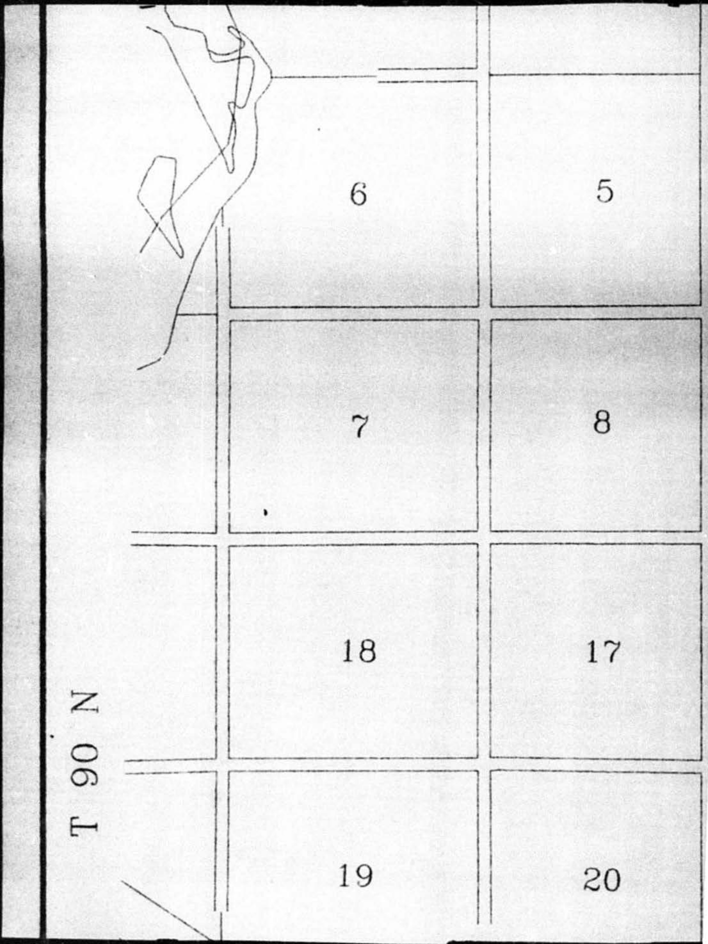
LEGEND

● 3	BD-2 PEDESTAL, # 3
▲ 6	BD-3 PEDESTAL, # 6
■ 9	BD-4 PEDESTAL, # 9
◆ 11L	BD-5 PEDESTAL, # 11L (L = Load)
⬢ 8	BD-7 PEDESTAL, # 8
B/ 6-24 422-424	BURIED CABLE, 6 PAIR, 24 GUAGE COUNT 422-424
424	SUBSCRIBER, PAIR ASSIGNED 424, MAP NUMBER M####
L.P. #1 44-70 72-73 289-300	LOAD POINT #1 COUNT 44-70, 72-73, 289-300
6	CABLE ROUTE # 6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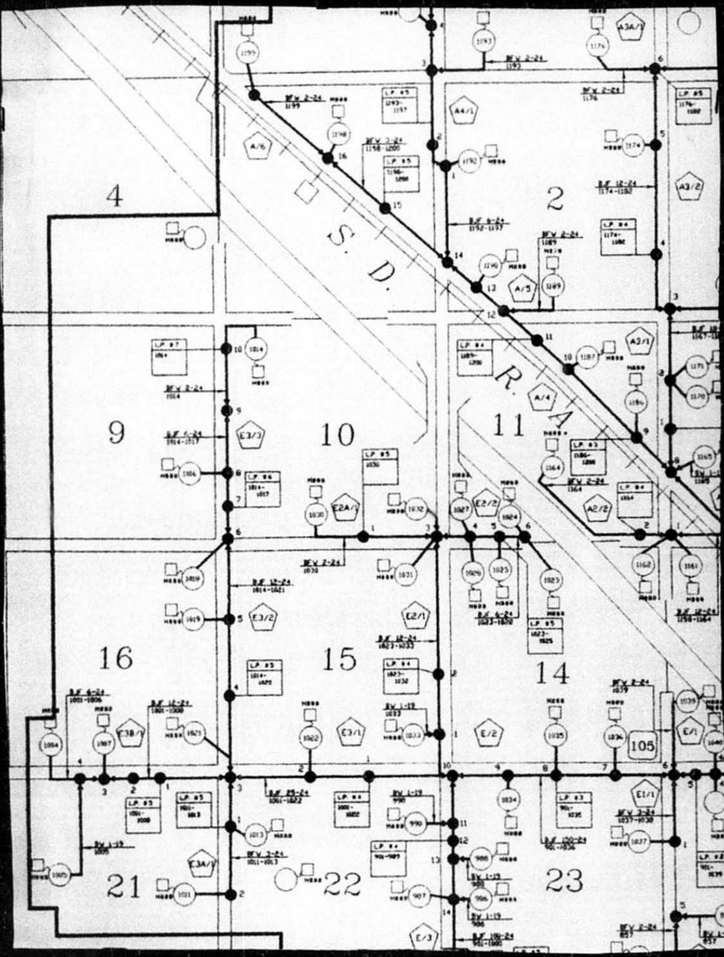
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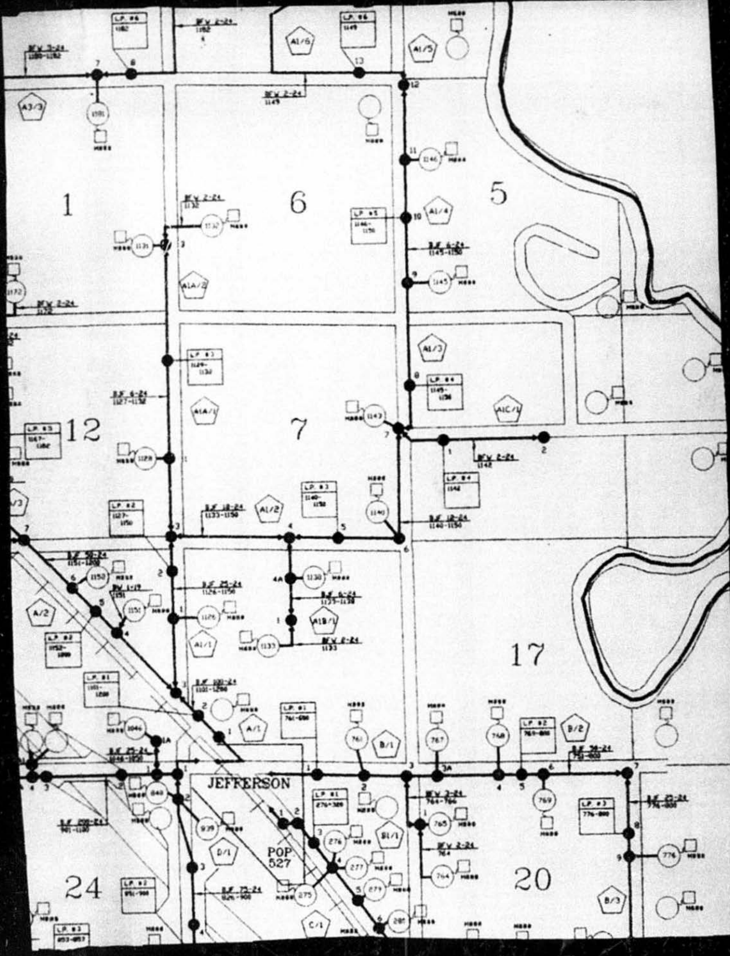
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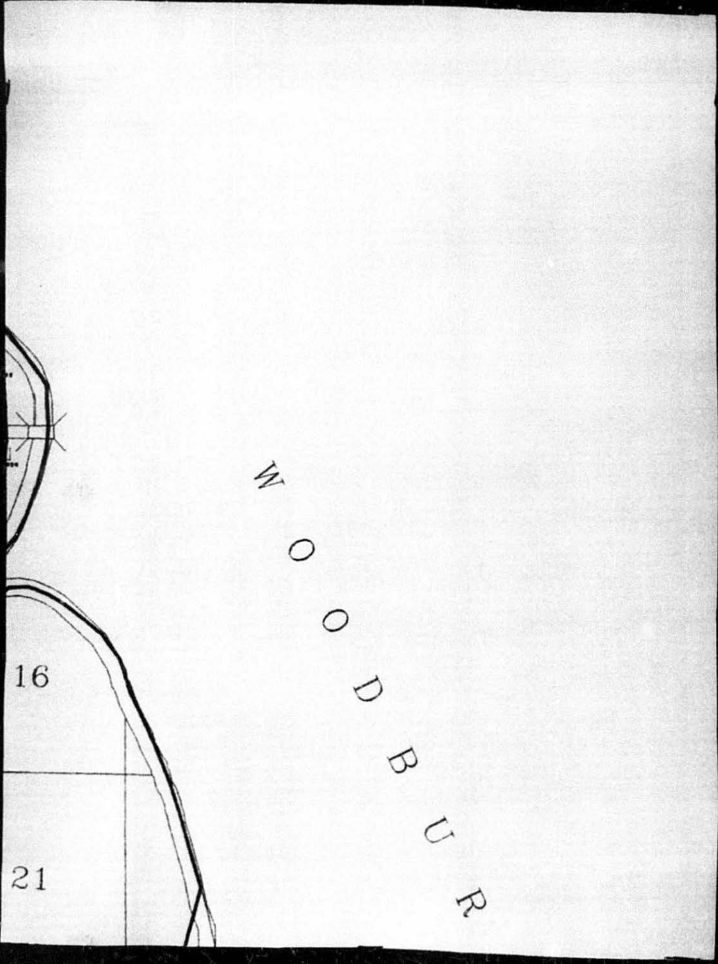
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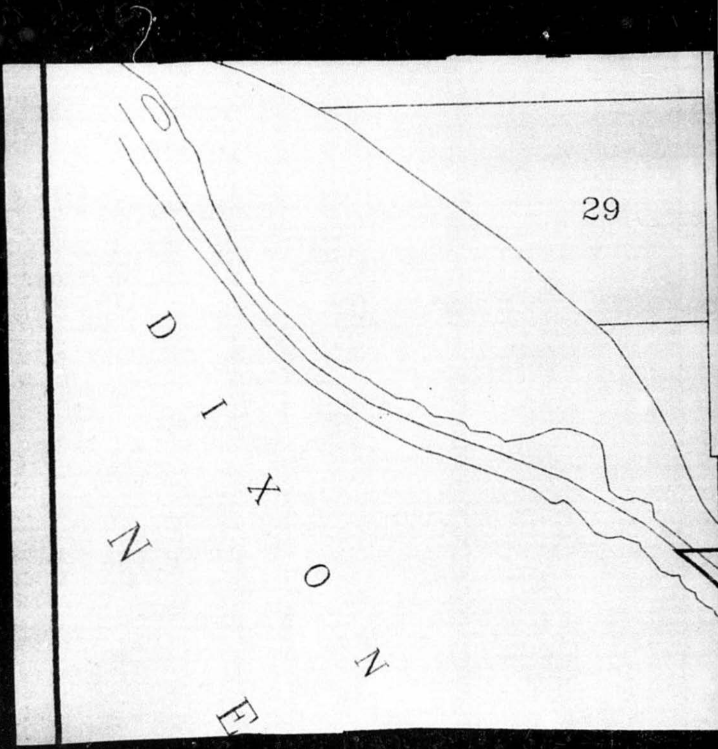
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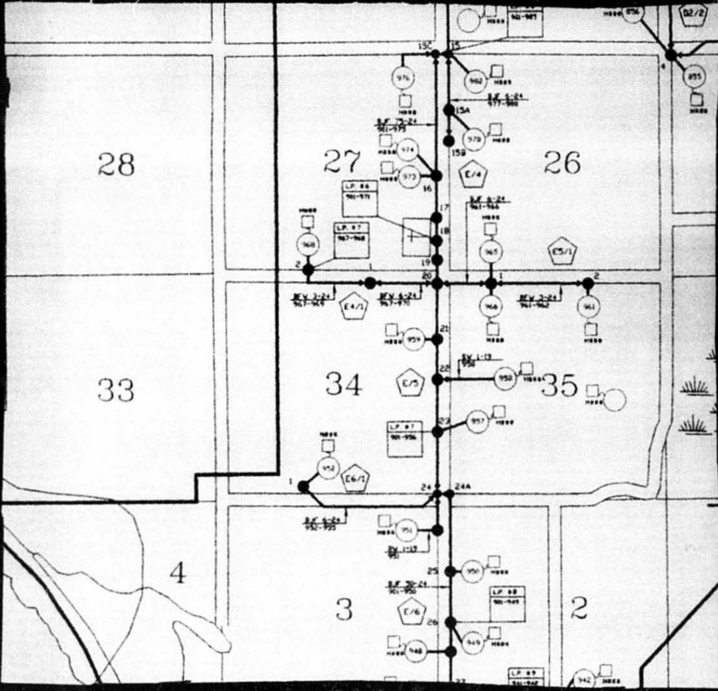
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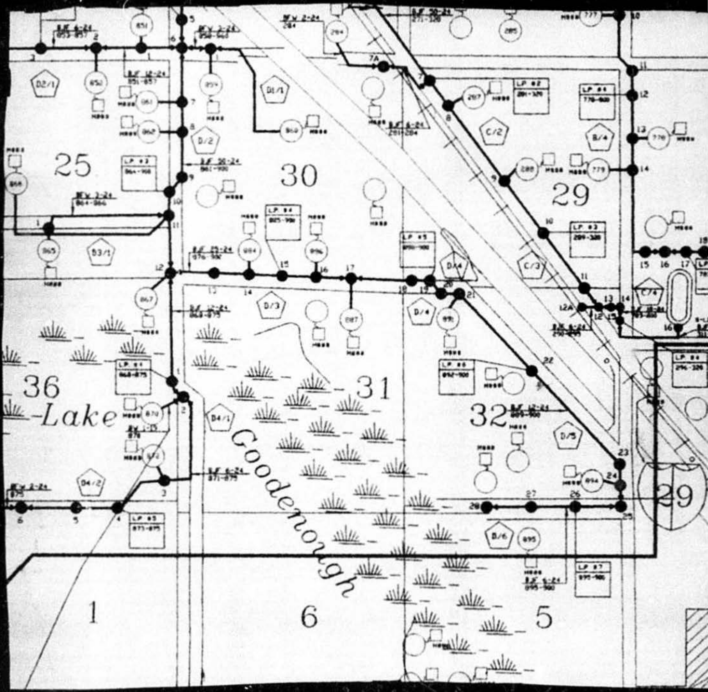
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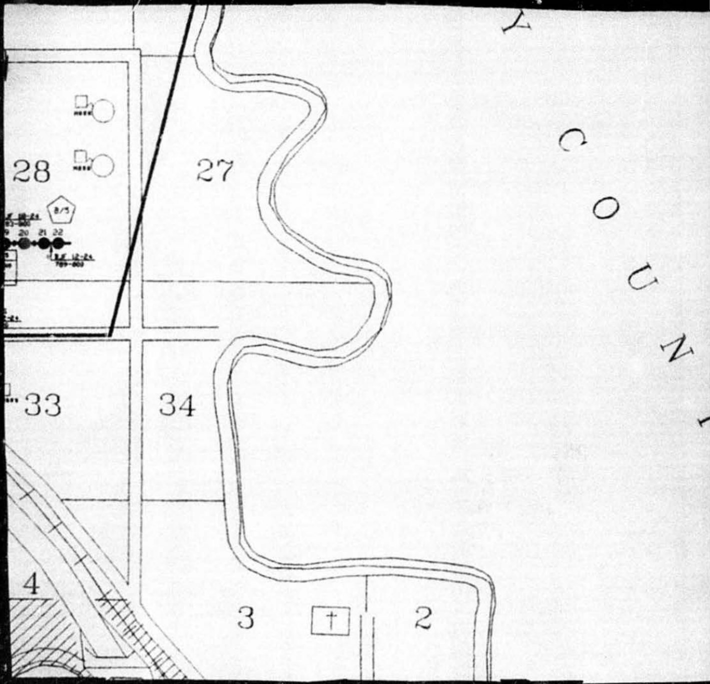
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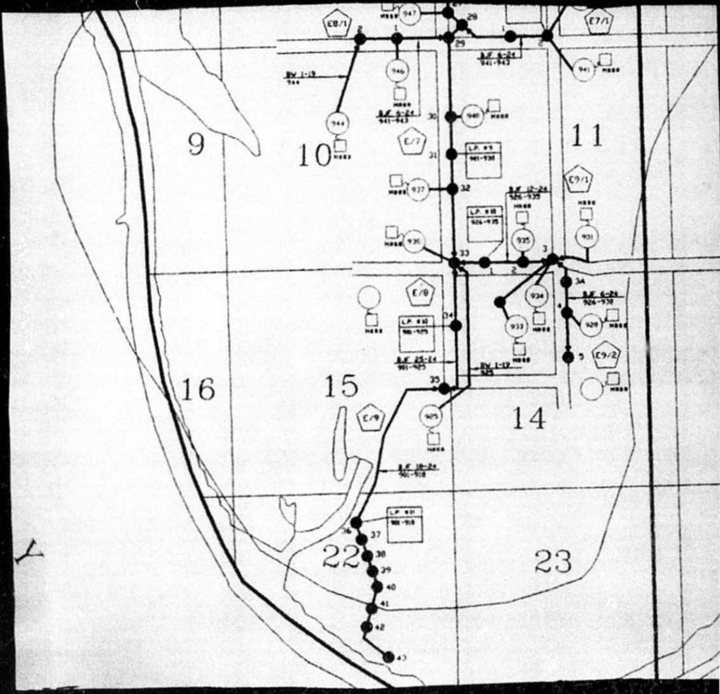

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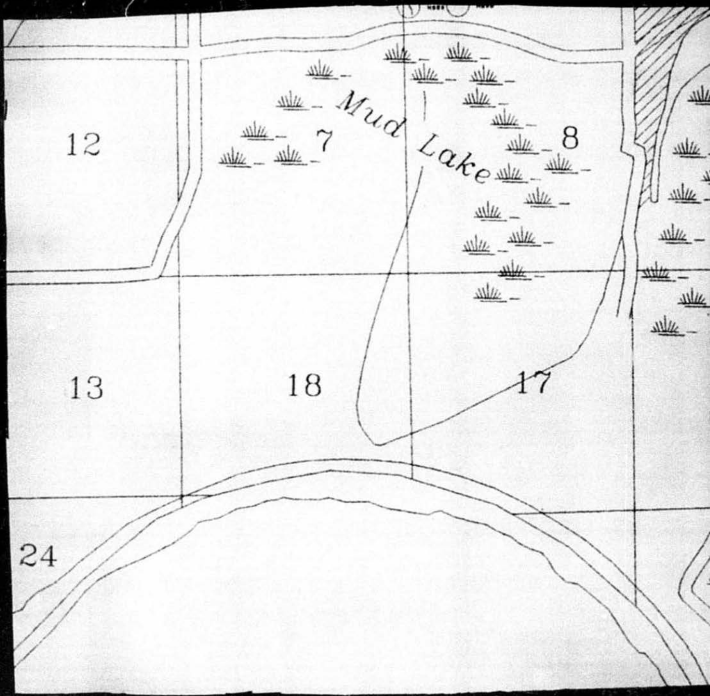

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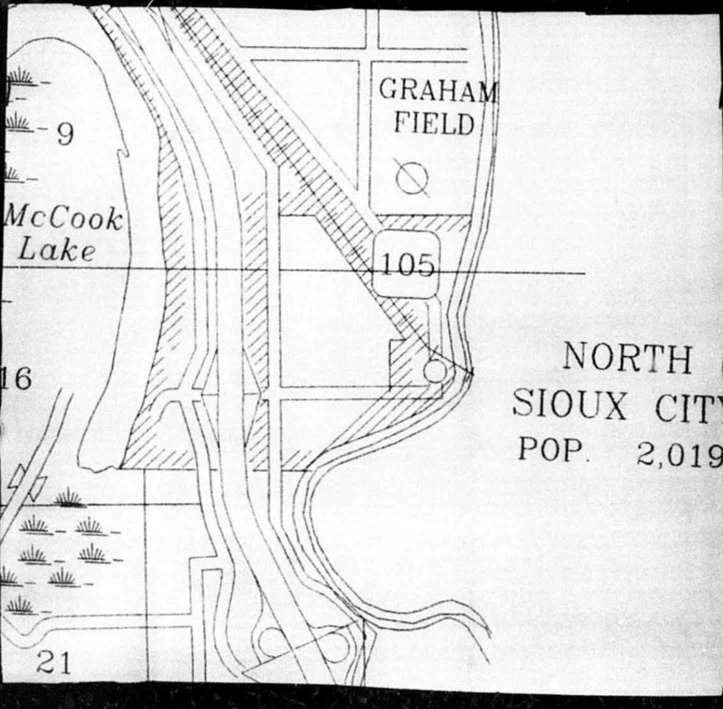
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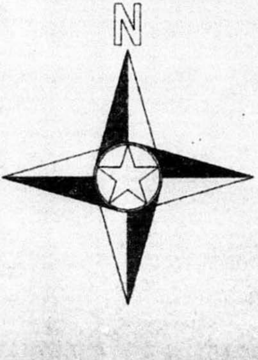
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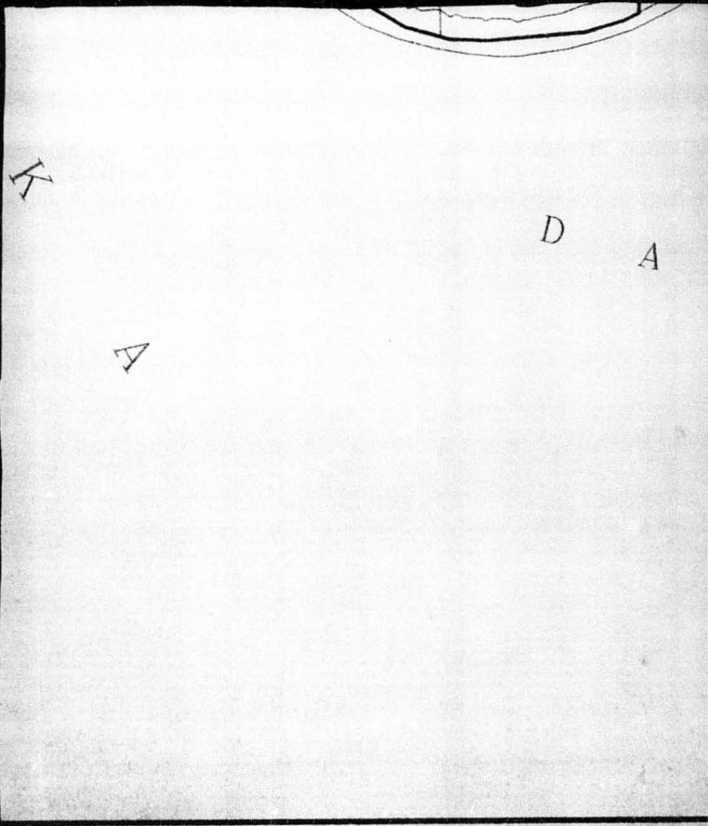
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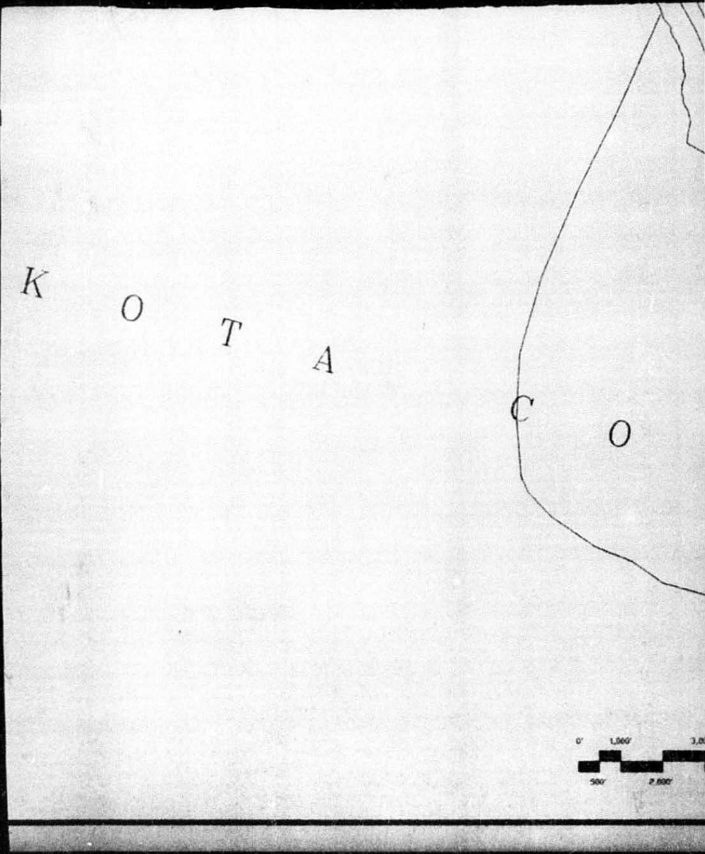
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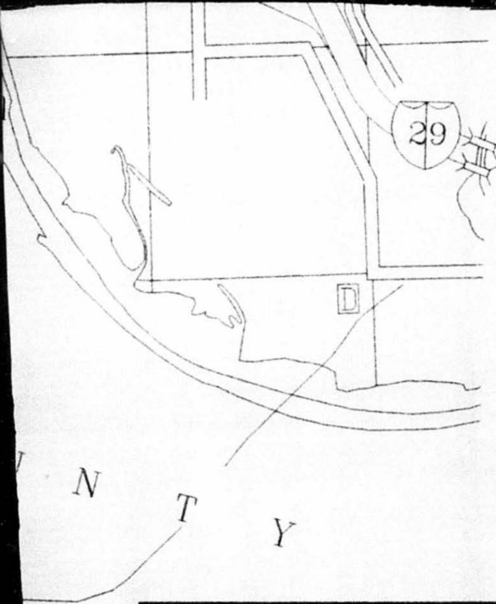

OAK HILL CONSULTING, INC

1308 WEST HIGHWAY #13
BURNSVILLE, MINNESOTA 55337
(612) 895-8851

PROJECT: JEFFERSON TELEPHONE COMPANY - RURAL EXCHANGE MAP

DRAWN BY: LVB	ENGINEER: OAK HILL CONSULTING	REVISION DATE:
DATE: 08/01/97	SCALE: 1" = 2,000'	
DRAWING NO.	SHEET OF	

Exhibit B

STOCK PURCHASE AGREEMENT

NONPROPRIETARY

STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT dated as of August 22nd, 1997, among **RICHARD W. CONNORS, SHERYL K. CONNORS, VIRGINIA L. CONNORS,** and **PATRICK T. CONNORS** (each a "Seller" and collectively the "Sellers"), and **JEFFERSON COMMUNICATIONS, L.L.C.** ("Buyer").

PRELIMINARY STATEMENT

A. Sellers own 100% of the issued and outstanding capital stock of JEFFERSON TELEPHONE CO., INC., a South Dakota corporation (the "Company"), which Company is engaged in the business of providing local exchange telephone services in the area of Jefferson, South Dakota (the "Business").

B. Sellers desire to sell to Buyer, and Buyer desires to purchase from Sellers, all of the issued and outstanding capital stock of the Company, on the terms and conditions set forth herein.

C. The Company owns stock interests in Jefferson Cellular, Inc., a Colorado corporation ("JCI"), and in Eastern South Dakota Cellular, Inc., a South Dakota corporation ("ESDC"; JCI and ESDC, and any other entities directly or indirectly, wholly or partially, owned by the Company are each referred to herein as a "Subsidiary" and collectively as the "Subsidiaries").

D. Certain terms used herein are defined in Section 11(g) below.

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

AGREEMENT

1. Agreement to Purchase and Sell. At the Closing (as defined below), Sellers shall sell to Buyer, and Buyer shall purchase from Sellers, all of the issued and outstanding shares of capital stock of the Company (the "Shares"), free and clear of all liens, interests, encumbrances or restrictions of any kind or nature whatsoever.

2. Purchase Price.

   (a) Purchase Price. The aggregate purchase price for the Shares (the "Purchase Price") shall be less the fair market value of the excluded assets shown as items 3-6 on Schedule 3(f), which sum shall be payable in cash at Closing to the Sellers in proportion to their ownership of the Shares, as set forth on Exhibit A attached hereto.

   (b) Post Closing. Buyer and Sellers acknowledge that as of December 31, 1996, the Company's balance sheet, (the "December Balance Sheet"), reflected "Retained Earnings" of $757,569 (the "Retained Earnings"). Buyer agrees that it will pay Sellers the amount of earnings realized by the Company from December 31, 1996, to the date of Closing, including an amount equal to the unrealized gain during such period on the 2,300 shares of common stock of CommNet Cellular, Inc. owned by the Company, which earnings shall be determined in a manner mutually agreeable to Buyer and Sellers. If Buyer and Sellers cannot determine the Company's pre-closing 1997 earnings in a mutually agreeable manner, the following procedure shall be implemented:

   Within ninety (90) days after the Closing Date, Buyer and the Sellers shall prepare a balance sheet for the Company as of the close of business on the Closing Date (the "Closing Balance Sheet"), which shall be mutually acceptable to the Sellers and Buyer and their respective independent public accountants. The Closing Balance Sheet shall be prepared in accordance with GAAP and consistent with the Company's past practices. The amount of the Purchase Price shall be increased or decreased, as the case may be, by the difference, if any, in the amount of the Company's Retained Earnings on the Closing Balance Sheet; provided, that no decrease in the Purchase Price shall be made as a result of the Company's expenditures in connection with its road improvement project. If, as a result of the foregoing adjustment, the Purchase Price is increased, Buyer shall pay the Sellers the amount of such increase by wire transfer of same-day funds within ten (10) business days of the date on which the parties agree on the Closing Balance Sheet. If, as a result of the post-closing adjustment, the Purchase Price is decreased, the Sellers shall refund to Buyer the amount of such decrease by wire transfer of same-day funds within ten (10) business days of the date on which the parties agree on the Closing Balance Sheet.

3. <u>Sellers' Representations and Warranties</u>. Sellers jointly and severally represent and warrant to Buyer that, as of the date hereof and as of the Closing Date:

(a) <u>Corporate Organization and Qualification</u>. The Company is a corporation duly organized, validly existing and in good standing in the state of South Dakota and has all requisite power and authority, corporate or otherwise, to own and operate its assets and to carry on the Business as currently conducted. The Company is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction listed on Schedule 3(a), which are the only jurisdictions where the failure to be so qualified would have a material adverse affect on the Company or the Business.

(b) <u>Due Execution</u>. This Agreement has been duly authorized, executed and delivered by each Seller and is binding upon each Seller and enforceable against each of them 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 such contracts and the availability of injunctive relief or other equitable remedies.

(c) <u>No Breaches</u>. The execution and delivery of this Agreement and the consummation of the transactions hereby do not conflict with, or result in a breach of, or constitute a default under, any agreement or instrument to which the Company, or any Seller is a party, or by which any Seller, the Company, or any of the Company's assets may be bound, nor, subject to obtaining the regulatory consents and approvals identified on Schedule 6(c)(iii), does such action violate any statute, law, rule or regulation or any order, writ, injunction or decree of any court or governmental authority or any License (as defined below).

(d) <u>Shares</u>. Schedule 3(d) sets forth the entire authorized capital stock of the Company, indicating which shares are issued and outstanding. Except as set forth on Schedule 3(d), Sellers hold of record and own beneficially all issued and outstanding Shares free and clear of any restrictions on transfer, claims, Taxes, encumbrances, options, warrants, rights, contracts, calls, commitments, equities, and demands. All of the Shares have been duly authorized, are validly issued, fully paid, and nonassessable. Except as described on Schedule 3(d), neither the Sellers nor the Company is a party to any option, warrant, right, contract, call, put, or other agreement or commitment providing for the issuance, disposition or acquisition of the Shares or any other capital stock or other equity interests of the Company (other than this Agreement), or to any voting trust, proxy, or other agreement or understanding with respect to the voting of the Shares.

(e) <u>Subsidiaries</u>. The Company holds of record and owns beneficially 51% of the issued and outstanding shares of capital stock of JCI, and 17.34% of the issued and outstanding shares of capital stock of ESDC, in each case free and clear of any restrictions on transfer, claims, Taxes, encumbrances, options, warrants, rights, contracts, calls, commitments, equities, and demands, except as described on Schedule 3 (e). Except for the Subsidiaries identified on Schedule 3 (e), the Company does not own, directly or indirectly, any voting securities, or securities convertible into voting securities, of any other corporation or other entity. To the best of Sellers knowledge, all of the shares of each Subsidiary held by the Company have been duly authorized, are validly issued, fully paid, and nonassessable. Except as set forth on Schedule 3(e), neither the Sellers, the Company nor, to the knowledge of Sellers, any Subsidiary is a party to any option, warrant, right, contract, call, put, or other agreement or commitment providing for the issuance, disposition or acquisition of any capital stock or other equity interests of any Subsidiary, or to any voting trust, proxy, or other agreement or understanding with respect to the voting of the shares of stock of any Subsidiary.

(f) __Assets__. The Company is the owner of and has good and marketable title to all of its assets, including without limitation all of the assets reflected on the December Balance Sheet, other than inventory sold and other changes due to operations in the ordinary course of business and capital expenditures of approximately $140,000 on a road improvement project since the date of the December Balance Sheet, free and clear of all encumbrances, liens, claims, security interests, options, leases, restrictions, encumbrances or other interests of any third parties whatsoever. The Company's assets are in good working condition and repair, normal wear and tear excepted, and constitute all tangible and intangible property necessary for the operation of the Business as currently conducted. Schedule 3 (f) sets forth a list of assets to be excluded from the transactions contemplated by this Agreement.

(g) __Contracts__. Schedule 3(g) attached hereto sets forth all of the contracts, agreements, leases, commitments or arrangements of the Company that are in effect as of the date hereof or that will be in effect as of the Closing Date (each a "Contract"). Except as set forth on Schedule 3(g), each Contract is a valid and binding agreement of the Company and is in full force and effect and enforceable according to 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 such contracts and the availability of injunctive relief or other equitable remedies, and neither the Company, nor to the best of Sellers' knowledge, any other party or parties thereto, is in default under any such Contract, nor has any event occurred that, with the lapse of time or the giving of notice or both, would constitute a default by any party under any Contract.

(h) __Compliance with Law__. The Company is not in default under or in violation in any material respect of any applicable statute, law, ordinance, decree, order, rule, regulation, franchise, permit or license of any governmental body, which is reasonably likely to result in a material adverse effect upon any property or asset of the Company or upon the business, condition (financial or other), or results of operations or prospects of the Company.

(i) __Taxes__. The Company has properly, accurately and timely filed all federal, state and local tax returns or reports (including, without limitation, income, unemployment, franchise, use, gross receipts, sales and real and personal property) required to be filed by it. With respect to all amounts in respect of Taxes imposed upon the Company or for which the Company is or could be liable, whether to taxing authorities (as, for example, under law) or to other persons or entities (as, for example, under tax allocation agreements), with respect to all taxable periods (or portions thereof) ending on or before the Closing Date, all applicable tax laws and agreements have been fully complied with, and all such amounts required to be paid by the Company to taxing authorities or others on or before the date hereof have been paid. No issues have been raised (or are currently pending) by any taxing authority in connection with any returns of the Company. No waivers of statutes of limitation with respect to such tax returns have been given by or requested from the Company. Schedule 3(i) sets forth (1) the taxable years of the Company as to which the respective statutes of limitations with respect to Taxes have not expired, and (2) with respect to such taxable years, sets forth those years for which examinations have been completed, those years for which examinations are presently being conducted, those years for which examinations have not been initiated, and those years for which required tax returns have not yet been filed. Except to the extent shown on Schedule 3(i), all deficiencies asserted or assessments made as a result of any examinations have been fully paid, or are fully reflected as a liability in the financial statements of the Company or are being contested and an adequate reserve therefor has been established and is fully reflected in the financial statements of the Company.

(j) __Consents__. Other than the consents and approvals listed on Schedule 6(c)(iii), neither Sellers, nor the Company, is required to obtain any consents or other approvals from any governmental agency or other person as a result of, or as a condition precedent to, the transactions contemplated hereby.

(k) Financial Information.

(i) Company Financial Statements.

a) The compiled financial statements of the Company as of and for the year ended December 31, 1996, copies of which are attached as Exhibit B (the "Year End Financials"), fairly present the assets and liabilities of the Company as of the date thereof, and the results of operations for the period then ended. The Year End Financials have been prepared in accordance with generally accepted accounting principals ("GAAP"), consistently applied, except the Year End Financials included a receivable entry for an anticipated true-up payment from NECA, which the Company has not reflected on its year end balance sheet in previous years.

b) All of the liabilities reflected on the Year End Financials arose out of or were incurred in the conduct of the Business. Other than (A) liabilities arising after the date of the Year End Financials in the ordinary course of business, and (B) liabilities set forth on Schedule 3(k)(i)(b), the Company has no liabilities. All reserves included on the Year End Financials are reasonable and in accordance with historical experience of the Business.

(ii) No Material Adverse Change. Since December 31, 1996, the Company has not suffered a change or series of changes that individually or in the aggregate is materially adverse to the business, financial condition, or results of operations or prospects of the Company, except as described on Schedule 3(k)(ii).

(l) Changes Since the December Balance Sheet Date. Since December 31, 1996, the Company has conducted the Business in the ordinary and usual course, and except as set forth on Schedule 3(l) the Company has not: (i.) sold, assigned, pledged, hypothecated or otherwise transferred any assets except for sales in ordinary course; (ii.) terminated or amended any material Contract, or entered into any Contract not listed on Schedule 3(g); (iii.) suffered any damage, destruction or other casualty loss (whether or not covered by insurance); (iv.) increased the compensation payable or to become payable by the Company to its employees or increased any bonus, insurance, pension or other employee benefit plan, payment or arrangement made by the Company for or with any such employees, or adopted or amended any Employee Benefit Plan (as defined below); (v.) made any distributions to shareholders, whether as dividends, stock redemptions or repurchases, or otherwise, or increased the compensation or other payments to any shareholder; (vi.) suffered any strike or other labor trouble or received notice of any controversy with any of the employees of the Company; (vii.) suffered any loss of customers which has had or will likely have a material adverse effect on the Business; or (viii.) entered into any agreement to do any of the foregoing.

(m) Litigation and Claims. There is no civil, criminal or administrative action, suit, demand, claim, hearing, proceeding or investigation pending or, to the knowledge of Sellers, threatened, , involving the Company, or any of the Company's assets, or that would impair or delay the ability of Sellers to effect the Closing.

(n) Labor Matters. The Company is not a party to any labor or collective bargaining agreement with respect to employees. No employees of the Company are represented by any labor organization, and to the best of Sellers' knowledge, there are no union organizing activities involving the Company.

(o) Employee Benefits. Schedule 3(o) lists each employee benefit plan, as defined in Section 3(3) of ERISA (as defined below), and each bonus or other incentive compensation, severance, reduction in force, relocation, salary continuation for sickness or other disability, health and welfare, insurance, vacation or educational assistance program which the Company maintains, contributes to or has an obligation to contribute to on behalf of employees (collectively, the "Employee Benefit Plans"). None of the Employee Benefit Plans is a "multiemployer plan" (as defined in Section 4001(a)(3) of ERISA). The Company has administered all Employee Benefit Plans in material compliance with their terms, and each such plan, program or agreement is in material compliance with all of the requirements and provisions of any applicable law, including, without limitation, the provisions of ERISA.

(p) **Environmental Matters**. Except as set forth in Schedule 3(p),

(i.) the Company is in material compliance with all applicable Environmental Laws, and the Company has no liabilities under any Environmental Law;

(ii) the Company has not received any notice of any violation or alleged violation of, or any liability under, any Environmental Law during the past three years or prior thereto if such violation or alleged violation has not been resolved; and

(iii) there are no Environmental Claims pending or, to the knowledge of Sellers threatened, against the Company relating to compliance with or liability under any Environmental Law.

(q) **Intellectual Property**. Schedule 3(q) sets forth a list and description (including the country of registration) of all material Intellectual Property, indicating the owner thereof. To the best of Sellers knowledge, the Company owns the entire right, title and interest to such Intellectual Property. To the best of Sellers' knowledge, none of the Intellectual Property infringes on the rights of any third party, and to the knowledge of Sellers no third party is infringing on the Intellectual Property rights of others. To the best of Sellers' knowledge, none of the Company's products or processes infringe upon or otherwise violate any right of any other person. The Intellectual Property constitutes all of the items of intellectual property necessary for the operation of the Business as currently conducted.

(r) **Real Property**. Schedule 3(r) sets forth a true, accurate and complete list of all real property owned or leased by the Company (collectively, the "Real Property"). In the case of Real Property owned by the Company ("Owned Real Property"), the Company owns fee simple marketable title, free and clear of all liens or encumbrances, except for (i) liens for Taxes, assessments and other governmental charges not yet due and payable or being contested in good faith by appropriate proceedings, and (ii) easements, rights-of-way, covenants, conditions and other restrictions of record which do not materially interfere with the present use of the Owned Real Property or materially detract from the value of the OwnedReal Property. In the case of Real Property leased by the Company ("Leased Real Property"), the Company has an oral lease agreement described on Schedule 3 (r). Except as set forth on Schedule 3(r), to the best of Sellers' knowledge (A) there are no material structural defects in any of the buildings or other improvements situated on the Real Property, and (B) all building systems, structures, fixtures and improvements, owned, leased or used by the Company are in good condition and working order (reasonable wear and tear excepted) in material respects and adequate in quality and quantity for the current normal operation of the Business.

(s) **Licenses and Permits**. Set forth in Schedule 3(s) hereto is a true and complete list of all licenses, permits, franchises, authorizations, registrations and approvals issued or granted to the Company by any government (federal, state, local or foreign), or any department, agency, board, commission, bureau or instrumentality of any of the foregoing (the "Licenses"), and all pending applications therefor. Such list contains a summary description of each such item and, where applicable, specifies the date issued, granted or applied for, the expiration date and the current status thereof. Each License has been duly obtained, is valid and in full force and effect, and is not subject to any pending or threatened administrative or judicial proceeding to revoke, cancel or declare such License invalid in any respect. The Licenses are sufficient in all respects to permit the continued lawful conduct by the Company of the Business, in the manner now conducted, and the Company is not conducting its business or operations in a manner which violates any of the terms or conditions under which any License was granted.

(t) **Accounts Receivable**. All accounts receivable reflected on the Year End Financials were or are bona fide receivables, accounted for in accordance with GAAP applied on a basis consistent with that used in the preparation of the Year End Financials, representing amounts due with respect to actual transactions in the ordinary course of the operation of the Company, except for over accrual of NECA traffic sensitive payment described in Schedule 3(k)(ii). To the best of Sellers' knowledge, none of such accounts receivable are subject to any set-off or counterclaim by the account debtor.

(u) **Insurance**. Schedule 3(v) contains an accurate and complete list of all insurance policies owned or maintained by the Company with respect to the Business or its assets. All such policies are in full force and effect, and sufficient for compliance by the Company with all applicable requirements of law and all Contracts which impose on the Company any requirement to maintain any insurance, in each case with respect to the Business. The Company has not, within the past three years, had any application for insurance pertaining in whole or in part to the Business rejected or any insurance policy pertaining in whole or in part to the Business canceled or withdrawn.

(v) **Full Disclosure**. All documents and other papers delivered by or on behalf of Sellers in connection with this Agreement are true, complete, correct and authentic in all material respects. No representation or warranty of Sellers contained in this Agreement and no written statement made by or on behalf of Sellers to Buyer pursuant to this Agreement contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading.

(w) **Tax Liens**. There are no laws, rules or regulations applicable to Sellers or the Company, or any of the Company's assets which grant or permit any tax authority or other governmental agency to assert a lien against any of the Company's assets or a claim against Buyer as result of (i) the Company's operations prior to the Closing Date, or (ii) the purchase and sale of the Shares hereunder.

(x) **Finders' Fees**. There is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of the Company, or Sellers who might be entitled to any fee or commission from the Company, in connection with the transactions contemplated by this Agreement.

4. **Buyer's Representations and Warranties**. Buyer represents and warrants to each Seller that, as of the date hereof and as of the Closing Date:

(a) **Corporate Organization**. Buyer is a limited liability company duly organized, validly existing and in good standing in the State of Delaware, and has all requisite power and authority, corporate or otherwise, to own and operate its assets and to carry on its business as currently conducted.

(b) **Due Execution**. This Agreement has been duly authorized, executed and delivered by Buyer and is binding upon Buyer and enforceable against it in accordance with its terms.

(c) **No Breaches**. The execution and delivery of this Agreement and the consummation of the transactions hereby do not conflict with, or result in a breach of, or constitute a default under, any agreement or instrument to which Buyer is a party, or by which Buyer may be bound, nor does such action violate any statute, law, rule or regulation or any order, writ, injunction or decree of any court or governmental authority.

(d) **Finders' Fees**. There is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of Buyer who might be entitled to any fee or commission from Buyer in connection with the transactions contemplated by this Agreement.

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

(f) **Investment Intent**. Buyer is acquiring the Shares for investment and not with a view toward 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 regulation thereunder and applicable exemptions therefrom.

5. **Certain Covenants**

(a) **Access**. From the date hereof to the Closing Date, Sellers shall cause the Company, to permit Buyer and its representatives to have access, during regular business hours and upon reasonable advance notice, to the Company's assets (including the right to conduct reasonable investigations in connection therewith) and to the Company's employees, suppliers, and customers. Sellers shall furnish, or cause the Company to furnish to Buyer any financial and operating data and other information that is available with respect to the Company as Buyer shall from time to time reasonably request.

(b) **Conduct of Business**. During the period from the date hereof to the Closing, except as otherwise contemplated by this Agreement or as Buyer shall otherwise agree in writing in advance, Sellers shall cause the Company to conduct the Business, in the ordinary and usual course, and use its best efforts to preserve intact the Business and their relationships with third parties. Sellers will immediately notify the Buyer of any lawsuits or material claims, proceedings or investigations that may be brought, asserted or threatened or commenced against the Company of which they acquire knowledge and which relate in any way to the Company. During the period from the date hereof to the Closing, except as otherwise provided for in this Agreement or as Buyer shall otherwise consent, other than in the ordinary and usual course, the Company shall not

(i) Enter into commitments for new capital expenditures in excess of $25,000 in the aggregate;

(ii) Enter into, terminate, or substantially amend or supplement, or waive any rights under, any insurance Contract, collective bargaining agreement, employment agreement, or any other Contract which would survive the Closing and be binding upon Buyer or any of the Company's assets;

(iii) Incur any debt, liability, or obligation, direct or indirect, whether accrued, absolute, contingent or otherwise, with respect to the Business, other than unsecured current liabilities, or permit any increase or expansion of any liabilities other than as expressly provided in the Contracts, or liabilities incurred in the ordinary course of business;

(iv) Dispose of or incur, create or assume any encumbrance, or (except for transactions in the ordinary course of business and the sale of Excluded Assets) sell or dispose of, any assets used or required in the operation of the Business;

(v) Make any Tax elections, settle any claims with respect to Taxes, consent to any extension of the statute of limitations with respect to the assessment of any Taxes, file any claims for refunds of Taxes, or take any similar actions; or

(vi) Take, or permit to be taken, any of the actions set forth in Section 3(l) hereof.

(c) **Best Efforts**. Sellers and Buyer will cooperate and use their respective best efforts to fulfill the conditions precedent to the other party's obligations hereunder, including, but not limited to, securing as promptly as practicable all consents, approvals, waivers and authorizations required in connection with the transactions contemplated hereby. Without limiting the generality of the foregoing, Sellers have filed, or caused the Company to have filed, all necessary applications for Equal Access with the Federal Communications

Commission ("FCC") and such other filings as may be required by Sellers, and shall notify Buyer of all material developments in connection with such filings. Buyer shall file all applications required to consummate the transactions contemplated in this Agreement with the Public Utility Commission for the State of South Dakota, and with the FCC, and Sellers shall cooperate, and cause the Company and each Subsidiary to cooperate, with Buyer in effecting such filings.

(d) Estoppel Certificates. Sellers will use their best efforts to obtain from each landlord of any Leased Real Property an estoppel certificate in form and substance satisfactory to Buyer.

(e) Surveys; Title Insurance. At least ten (10) days prior to the Closing, Sellers shall deliver, or cause to be delivered to Buyer, a survey and a title commitment for each parcel of Owned Real Property designated on Schedule 5(e). The Company and Buyer shall share the expense of the surveys and title commitment equally. The survey shall be reasonably acceptable to Buyer and sufficient to cause the title insurance company to provide extended coverage over the so-called "general" exceptions relating to matters that would be disclosed by a current accurate survey. The title commitment shall be from a title insurance company reasonably satisfactory to Buyer, and shall commit to issue Buyer a 1992 ALTA Form B Owner's Policy of Title Insurance with respect to each parcel of Owned Real Property designated on Schedule 5(e) in each case in an amount reasonably determined by Buyer, covering title to the Owned Real Property on or after the date hereof, and showing the Company as owner of a fee simple interest in and to the Owned Real Property.

(f) No Shop. Except in connection with the transactions contemplated by this Agreement, neither the Sellers, the Company, nor any person acting on behalf of Sellers or the Company shall enter into discussions or negotiations with any person or entity in any way relating to or with a view toward the sale of any of the capital stock (either presently issued or unissued), property or assets of the Company, including without limitation any sale or other disposition of the Company's interest in any Subsidiary. No party shall disclose the existence of this Agreement to any other person without the prior written consent of the other party, except that (i) Buyer may disclose the existence of this Agreement to its agents, representatives or others who will assist it in conducting or evaluating its due diligence review, and to its possible lenders, investors, or other persons who may provide financing for some or all of the Purchase Price, and (ii) any party may disclose the existence of this Agreement to the extent necessary to satisfy the conditions precedent to Closing, including obtaining all necessary consents and approvals.

6. Conditions to Closing. The obligation of the parties to consummate the transactions contemplated hereby and of Buyer to pay the Purchase Price on the Closing Date is subject to the satisfaction of the following conditions precedent, each of which shall be satisfied prior to the Closing and which shall continue to be true as of the Closing Date:

(a) Conditions to Buyer's Obligations.

(i) Search Results Satisfactory. The results of the UCC searches from the Secretary of State of South Dakota and each county in which any of the Company's assets are located, and such other UCC and other searches as Buyer deems necessary with respect to the Company, shall disclose no liens or claims against the Company or its property.

(ii) No Damage or Casualty Loss. None of the Company's assets shall have been broken or damaged, or suffered any casualty loss of any kind, whether or not covered by insurance, in any material respects.

(iii) No Material Adverse Change. Except as disclosed on Schedule 3(l), since December 31, 1996, no material adverse change in the business or financial condition or prospects of the Company shall have occurred.

(iv) Representations and Warranties True. All of Sellers' representations and warranties set forth in this Agreement shall be true and correct in all material respects.

(b) **Conditions to Sellers' Obligations**.

(i) Representations and Warranties True. All of Buyer's representations and warranties set forth in this Agreement shall be true and correct in all material respects.

(ii) Buyer shall have performed all of its obligations, covenants and agreements hereunder, including, without limitation, making all deliveries required under Section 7 (b) below.

(c) **Conditions to Both Parties' Obligations**.

(i) No Challenge. No court or governmental authority shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, judgment, decree, injunction or other order which is in effect on the date hereof or the Closing Date and prohibits the consummation of the Closing, and no proceeding for such a statute, rule, regulation, judgment, decree, injunction or other order shall be pending or threatened.

(ii) Related Transaction. The transactions contemplated by that certain Asset Purchase Agreement of even date herewith between Sellers, as sellers, andBuyer, as buyer, relating to the purchase and sale of the assets and assumption of the liabilities of Jefferson Satellite Telecommunications Inc., a South Dakota corporation, shall have closed or shall close simultaneously with the Closing of the transactions contemplated hereby.

(iii) Necessary Consents. All consents or approvals of any governmental authority or regulatory agency shall have been received. Without limiting the generality of the foregoing, Sellers shall have received, on terms and conditions satisfactory to Buyer, the consents and approvals listed on Schedule 6(c)(iii).

7. **Closing**.

(a) **Date and Location**. The transaction contemplated by this Agreement shall be consummated (the "Closing") on the first business day of the calendar month immediately following the calendar month in which all required regulatory approvals, notices and consents have been given and obtained, so long as such day is at least (5) calendar days after the receipt of such regulatory approvals at the offices of Buyer's attorney, or at such other time and place as Buyer and Sellers shall agree. The date on which the Closing occurs is referred to herein as the "Closing Date."

(b) **Buyer's Deliveries**. At Closing, Buyer will deliver to Sellers the following items:

(i) Payment of Purchase Price. A wire transfer to each Seller in accordance with instructions provided by such Seller and in the amount set forth on Exhibit A, for a total amount equal to the Purchase Price;

(ii) Corporate Documents. Copies of the resolutions of the Board of Directors of Buyer authorizing the execution of this Agreement, certified by the Secretary of Buyer;

(iii) Closing Certificate. A certificate, signed by an officer of Buyer, dated the Closing Date, to the effect that (A) all of Buyer's representations and warranties set forth in this Agreement are true and correct in all material respects as of the Closing Date, and (B) all agreements and covenants to be performed by Buyer prior to the Closing Date have been performed; and

(iv) Other Documents. Such other documents and instruments as Sellers may reasonably request in order to effect the transactions contemplated hereby.

(v) Consulting/Employment Agreements. Consulting/Employment Agreements, duly executed by Richard W. Connors, Patrick T. Connors, and Tom Connors, in the form of Exhibit C attached hereto (the "Consulting/ Employment Agreements").

(c) **Sellers' Deliveries**. At the Closing, Sellers will deliver to Buyer the following items:

(i) Stock Certificates. The original stock certificates representing the Shares, duly endorsed for transfer to Buyer or accompanied by duly executed stock powers;

(ii) Consulting/Employment Agreements. Consulting/Employment Agreements, duly executed by Richard W. Connors, Patrick T. Connors, and Tom Connors, in the form of Exhibit C attached hereto (the "Consulting/Employment Agreements").

(iii) Resignations. Resignations, effective the Closing Date, of each Seller as an officer, director or employee (as applicable) of the Company and of each Subsidiary, except that Patrick T. Connors will continue as an employee of the Company as provided in his employment agreement;

(iv) Closing Certificate. A certificate, signed by each Seller, dated the Closing Date, to the effect that (A) all of Sellers' representations and warranties set forth in this Agreement are true and correct in all material respects as of the Closing Date, and (B) all agreements and covenants to be performed by Sellers prior to the Closing Date have been performed; and

(v) Other Documents. Such other documents and instruments as Buyer may reasonably request in order to effect the transactions contemplated hereby.

(d) **Transfer Costs**. Sellers shall pay all Transfer Costs.

(e) **Post-Closing Cooperation**. After the Closing, each party shall deliver any further instruments and take any further action that may be reasonably requested by the other in order to vest title of the Shares in Buyer and otherwise to carry out the provisions and purposes of this Agreement. Each of the Sellers shall cooperate with Buyer, the Company and the Subsidiaries with respect to (i) any action, suit, proceeding or investigation pending or threatened against the Company, any Subsidiary or its successors or assigns and (ii) any action necessary for the Company or any Subsidiary to obtain adequate insurance coverage or to make any claims under any insurance policies.

8. **Additional Agreements.**

(a) **Confidentiality**. None of the Sellers shall disclose or make any use of, and shall not knowingly permit any person to disclose or make use of, for its own benefit or for the benefit of any other person or entity, any secret or confidential information, customer lists, and lists of prospective customers, or any other information of or pertaining to the Company its business, products, financial affairs, customers or prospective customers, or services not generally known within the industry or otherwise publicly available.

(b) **Certain Covenants**. In order that Buyer may have the benefit of the goodwill of the Company, for a period of four years from and after the date hereof, none of the Sellers shall, without the prior written consent of Buyer (which consent may be withheld at the sole discretion of Buyer), engage in any of the following conduct within a one hundred (100) mile radius of Jefferson, South Dakota:

(i) Non-Competition. Offer for sale, or participate in any business, whether as an officer, director, stockholder, partner, owner, employee, creditor, or otherwise, that offers for sale, any products or services that are competitive with the Company, as conducted on the Closing Date;

(ii) Non-Solicitation. Solicit, contact, interfere with, or divert any customer served by the Company or any prospective customer identified by or on behalf of the Company at any time during the two years preceding the date hereof.

(iii) Non-Hiring of Employees. Hire or solicit any person then or previously employed by the Company to join Sellers or any Affiliate, whether as a partner, agent, employee, or otherwise.

(c) **Acknowledgments**. Sellers acknowledge that the restrictions set forth in Section 8(b) are reasonable in scope and essential to the preservation of the goodwill of the Business and proprietary properties. The covenants of Sellers contained in Section 8 shall each be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of any Seller against Buyer, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by Buyer of such covenants. It is not the intention of any party to violate any public policy, statutory or common law, and if any sentence, paragraph, clause, or combination of the same of this Agreement is in violation of the law of any state where applicable, such sentence, paragraph, clause or combination of the same shall be void in the jurisdictions where it is unlawful, and the remainder of such paragraph and this Agreement shall remain binding on the parties to make the covenants of this Agreement binding only to the extent that it may be lawfully done under existing applicable laws. In the event that any part of any covenant of this Agreement is determined by a court of law to be overly broad thereby making the covenant unenforceable, the parties hereto agree, and it is their desire, that such court shall substitute a judicially enforceable limitation in its place, and that as so modified the covenant shall be binding upon the parties as if originally set forth herein.

(d) **Release**. Sellers, each on behalf of himself and any successors and assigns, hereby releases and forever discharges, and covenants not to sue, the Company, and its successors and assigns, and the officers, directors, shareholders, employees or agents of any of them (each a "Released Party"), for and from any and all manners of actions, causes, causes of actions, suits, debts, liabilities, rights, costs, expenses, claims and demands whatsoever, known or unknown, foreseen or unforeseen, contingent or uncontingent, in law or in equity, that he ever had, may now have, or at any time hereafter may have, against any Released Party, by reason of or in connection with any matter, cause, things, or actions whatsoever, arising or occurring on or at any time through the date hereof, provided that nothing in this release shall release Buyer from their obligations under this Agreement. Except with respect to obligations of Buyer under this Agreement, this is a general release.

(e) **Regulatory Approvals**. Buyer shall manage, at its expense, the process of obtaining and shall obtain, with the Sellers assistance, 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 Federal Communications Commission and the South Dakota Public Utilities Commission. 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. The Sellers agree to cooperate with Buyer in obtaining such consents and approvals.

9. **Indemnification**.

(a) **Survival**. The representations and warranties of the parties contained in this Agreement shall survive the Closing for the period set forth in this Section 9(a). All of the representations and warranties of the Parties contained in this Agreement and all claims and causes of action with respect thereto shall terminate upon expiration of 24 months after the Closing Date, except that Sellers' indemnification obligation with respect to a breach of the representations and warranties in Section 3(i) shall continue until the expiration of the applicable statute of limitations. Any claim for indemnification must be made during the applicable survival period. In the event notice of any claim for indemnification under this Agreement is given within the applicable survival period, the representations and warranties that are the subject of such indemnification claim shall survive until such time as such claim is finally resolved.

(b) **Indemnification by Buyer**. Buyer shall indemnify, defend and hold harmless Sellers, their Affiliates and, if applicable, their respective directors, officers, shareholders, partners, attorneys, accountants, agents and employees and their heirs, successors and assigns (the "Seller Indemnified Parties") from, against and in respect of any damages, claims, losses, charges, actions, suits, proceedings, deficiencies, Taxes, interest, penalties, and reasonable direct costs and incremental costs (including reasonable attorneys' fees, removal costs, remediation costs, closure costs, fines, penalties and expenses of investigation and ongoing monitoring) (collectively, the "Losses") imposed on, sustained, incurred or suffered by or asserted against any of the Seller Indemnified Parties, directly or indirectly, relating to or arising out of (i) any breach of any representation or warranty made by Buyer contained in this Agreement, or (ii) any breach of any covenant or agreement of Buyer contained in this Agreement.

(c) **Indemnification by Sellers**. Sellers shall jointly and severally indemnify, defend and hold harmless Buyer, the Company, their Affiliates and, if applicable, their respective directors, officers, shareholders, partners, attorneys, accountants, agents and employees and their heirs, successors and assigns (the "Buyer Indemnified Parties" and, collectively with the Seller Indemnified Parties, the "Indemnified Parties") from, against and in respect of any Losses imposed on, sustained, incurred or suffered by or asserted against any of Buyer Indemnified Parties, directly or indirectly, relating to or arising out of (i) any breach of any representation or warranty made by Sellers contained in this Agreement, (ii) any breach of any covenant or agreement of Sellers contained in this Agreement.

(d) **Indemnification Procedures**. With respect to third-party claims, all claims for indemnification by any Indemnified Party hereunder shall be asserted and resolved as set forth in this Section 9(d). Liability shall arise for indemnification claims hereunder only if the losses, liabilities, claims, costs, damages, expenses or deficiencies arising therefrom exceed in the aggregate $50,000 (the "Minimum Amount"). If such claims exceed the Minimum Amount, the indemnifying party shall indemnify the indemnified party for the full amount of such claims. In the event that any written claim or demand for which Buyer or Sellers, as the case may be (an "Indemnifying Party"), would be liable to any Indemnified Party hereunder is asserted against or sought to be collected from any Indemnified Party by a third party, such Indemnified Party shall promptly notify the Indemnifying Party of such claim or demand and the amount or the estimated amount thereof to the extent then feasible (which estimate shall not be conclusive of the final amount of such claim or demand) (the "Claim Notice"). The Indemnifying Party shall have 30 days from the personal delivery or mailing of the Claim Notice (the "Notice Period") to notify the Indemnified Party (i) whether or not the Indemnifying Party disputes the liability of the Indemnifying Party to the Indemnified Party hereunder with respect to such claim or demand and (ii) whether or not it desires to defend the Indemnified Party against such claim or demand. All costs and expenses incurred by the Indemnifying Party in defending such claim or demand shall be a liability of, and shall be paid by, the Indemnifying Party. Except as hereinafter provided, in the event that the Indemnifying Party notifies the Indemnified Party within the Notice Period that it desires to defend the Indemnified Party against such claim or demand, the Indemnifying Party shall have the right to defend the Indemnified Party by appropriate proceedings and shall have the sole power to direct and control such defense. If any Indemnified Party desires to participate in any such defense, it may do so at its sole cost and expense. The Indemnified Party shall not settle a claim or demand without the consent of the Indemnifying Party. The Indemnifying Party shall not, without the prior written consent of the Indemnified Party, settle, compromise or offer to settle or compromise any such claim or demand on a basis which would result in the imposition of a consent order, injunction or decree which would restrict the future activity or conduct of the Indemnified Party or any Affiliate thereof. If the Indemnifying Party elects not to defend the Indemnified Party against such claim or demand, whether by not giving the Indemnified Party timely notice as provided above or otherwise, then the amount of any such claim or demand or, if the same be contested by the Indemnified Party, then that portion thereof as to which such defense is unsuccessful (and the reasonable costs and expenses pertaining to such defense), shall be the liability of the Indemnifying Party hereunder. To the extent the Indemnifying Party shall direct, control or participate in the defense or settlement of any third-party claim or demand, the Indemnified Party will give the Indemnifying Party and its counsel access to, during normal business hours, the relevant business records and other documents, and shall permit them to consult with the employees and counsel of the Indemnified Party. The Indemnified Party shall use its best efforts in the defense of all such claims.

10. Termination.

(a) Termination. This Agreement may be terminated at any time prior to the Closing:

(i) by agreement of Buyer and Sellers;

(ii) by either Buyer, on the one hand, or Sellers, on the other hand, by giving written notice of such termination to the other, if the Closing shall not have occurred on or prior to December 31, 1997, provided that the terminating party is not in material breach of its obligations under this Agreement; or

(iii) by either Buyer, on the one hand, or Sellers, on the other hand, if the other party is in material breach of its obligations under this Agreement, and the breaching party fails to remedy such breach within 30 days following written notice from the non-breaching party.

(b) Effect of Termination. In the event of the termination of this Agreement in accordance with Section 10(a), this Agreement shall thereafter become void and have no effect, and no party hereto shall have any liability to the other party hereto or their respective Affiliates, directors, officers or employees, except that nothing herein will relieve any party from liability for any breach of this Agreement prior to such termination.

11. Miscellaneous.

(a) Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and assigns.

(b) Fees and Expenses. Each party shall pay its own fees and expenses in connection with the transaction contemplated hereby. Sellers' fees and expenses shall be paid by the Company.

(c) Governing Law. This Agreement shall be governed by and interpreted under the laws of the State of South Dakota.

(d) Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof in any circumstance, is invalid or unenforceable, (i) a judicially determined suitable and equitable provision shall be substituted therefore in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision, and (ii) the remainder of this Agreement shall not be affected by such invalidity or unenforceability.

(e) Remedies. In the event of a breach of the terms and conditions of this Agreement, the non-breaching party shall be entitled, if it so elects, to institute and prosecute proceedings in any court of competent jurisdiction, either at law or in equity, to seek equitable relief as well as to obtain damages for any breach of this Agreement. All remedies provided herein shall be cumulative and in addition to any and all other remedies which any party may have at law or in equity.

(f) Notice. Any notices or other communications hereunder shall be in writing and shall be deemed to have been given if (i) mailed by United States mail, registered or certified, postage prepaid, (ii) sent by facsimile transmission, which transmission is confirmed by a return transmission, or (iii) delivered personally or by special courier, addressed to a party at the address set for the below such party's signature, or at such other address as a party may specify to the other party in such a notice.

(g) **Certain Definitions**. For purposes of this Agreement, the following terms shall have the following meanings:

"Affiliate" of a party shall mean, with respect to any person or entity, (i) any person or entity directly or indirectly controlling, controlled by or under common control with, such other person or entity, including Affiliates formed after the date hereof, or (ii) any officer, director or shareholder of a party or its Affiliate.

"Environmental Claim" shall mean any accusation, allegation, notice of violation, claim, demand, abatement or other order or directive (conditional or otherwise), judgment, lien or other assessment by any governmental authority or any person for personal injury (including sickness, disease or death), tangible or intangible property damage, damage to the environment, nuisance, pollution, contamination or other adverse effects on the environment, or for fines, penalties or restrictions, resulting from or based upon (A) the existence, or the continuation of the existence, of a Release (including, without limitation, sudden or non-sudden, accidental or non-accidental leaks or spills), of, or exposure to, or Release of any Hazardous Substances, odor or audible noise in, into or onto the environment, including, without limitation, the air, groundwater, surface water or any surface or subsurface strata, at, in, by, from, or related to the Company or any Subsidiary's assets, (B) the transportation, storage, treatment or disposal of any Hazardous Substances in connection with the operation of the Businesses, or (C) the violation, or alleged violation, of any applicable Environmental Laws or any governmental authorizations.

"Environmental Law" shall mean any applicable federal, state, local or foreign law, statute, ordinance, rule, regulation, code, order, judgment, decree or injunction, other than any of the preceding to the extent related to Taxes, relating to (x) the protection of the environment (including, without limitation, air, water vapor, surface water, groundwater, drinking water supply, surface or subsurface land), wildlife or health or (y) the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, protection, release or disposal of, Hazardous Substances or otherwise relating to pollution of the environment or protection of human health.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"Hazardous Substances" shall mean any (a) petroleum or petroleum products or derivative or fraction thereof, flammable material, explosives, radioactive materials (including radon gas, other than that which is naturally occurring), asbestos in any form that is or could become friable, urea formaldehyde foam insulation, and polychlorinated biphenyls, (b) any other material which contains substances defined as hazardous or toxic (or words of similar import) substances under the Comprehensive Environmental Response Compensation, and Liability Act; Resource Conservation Recovery Act; Clean Air Act; Clean Water Act; Safe Drinking Water Act; Atomic Energy Act; Toxic Substances Control Act; Federal Insecticide, Fungicide, and Rodenticide Act; Hazardous Material Transportation Act; or (c) any pollutant, contaminant, waste or other substance that is regulated under any Environmental Law.

"Intellectual Property" shall mean all trademarks, service marks and tradenames (including the name JEFFERSON TELEPHONE CO., INC. (and any derivations thereof) and any other names used by the Company in any form (registered or unregistered and any applications for registration), and the goodwill associated therewith, any and all copyrights and applications therefore, any patents and patent applications, trade secrets or know how, and any other intellectual property owned by the Company .

"Release" shall mean any release, spill, emission, abandonment of any container or receptacle containing any Hazardous Substance, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching, or migration into the environment, or into or out of any property owned, leased or used in the Businesses, including the movement or migration, gradual or otherwise, of any Hazardous Substance through or in the air, soil, surface water, groundwater, or land surface or subsurface strata or formation.

"Taxes" shall mean all federal, state, local or foreign taxes and other governmental fees or charges of any nature whatsoever and however denominated, including but not limited to income, gross receipts, windfall profits, goods and services, value added, severance, property, production, sales, use, license, excise, franchise, employment, withholding or similar taxes, together with any interest, additions or penalties with respect thereto and any interest in respect of such additions or penalties.

"Transfer Costs" shall mean all Taxes (other than Taxes measured by net income) incurred or imposed by reason of the sale, assignment, transfer of title or possession of the Shares and other rights by Sellers hereunder regardless upon whom such Taxes are levied or imposed by law, including without limitation, sales, use, excise (including excise Taxes on telecommunications service and other taxable products or services), stamp, documentary, filing, recording, permit, license, authorization, intangible and similar Taxes, and any other costs required to be paid to effectively vest all right, title and interest in and to the Shares in Buyer.

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

RICHARD W. CONNORS

Fax No: ____________________
Phone No. ____________________

SHERYL K. CONNORS

Fax No. ____________________
Phone No. ____________________

PATRICK T. CONNORS

Fax No: ____________________
Phone No. ____________________

VIRGINIA L. CONNORS

Fax No. ____________________
Phone No. ____________________

JEFFERSON COMMUNICATIONS, L.L.C.

DIRK J. WINKEL
President

Fax No: ____________________
Phone No. ____________________

LIST OF EXHIBITS AND SCHEDULES

Exhibit	Shareholders Percentage Interest
Exhibit B	Year End Financials
Exhibit C-1	Form of Consenting Agreement for Richard W. Connors
Exhibit C-2	Form of Consenting Agreement for Patrick T. Connors
Exhibit C-3	Form of Employment Agreement for Patrick T. Connors
Exhibit C-4	Form of Employment Agreement for Tom Connors
Schedule 3(a)	Foreign Qualifications
Schedule 3(d)	Capitalization
Schedule 3(e)	Subsidiaries
Schedule 3(f)	Excluded Assets
Schedule 3(g)	Contracts
Schedule 3(i)	Taxes
Schedule 3(k)(i)(B)	Other Liabilities
Schedule 3(k)(ii)	Material Adverse Changes
Schedule 3(l)	Changes Since Most Recent Balance Sheet Date
Schedule 3(o)	Employee Benefit Plans
Schedule 3(p)	Environmental Matters
Schedule 3(q)	Intellectual Property
Schedule 3(r)	Real Property
Schedule 3(s)	Licenses
Schedule 3(v)	Insurance
Schedule 5(e)	Owned Real Property - Title and Survey
Schedule 6(c)(iii)	Required Consents and Approvals

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EXHIBIT A

SHAREHOLDERS' PERCENTAGE INTEREST

Name	Number of Shares of Common Stock	Percentage Interest
Patrick T. Connors	500	33 1/3%
Richard W. Connors	500	33 1/3%
Sheryl K. Connors	250	16 2/3%
Virginia L. Connors	250	16 2/3%

EXHIBIT B

OLSEN THIELEN & CO., LTD.

Certified Public Accountants & Consultants

Board of Directors
Jefferson Telephone Company, Inc.
Jefferson, South Dakota

We have compiled the accompanying balance sheet of Jefferson Telephone Company, Inc. as of December 31, 1996 and 1995, and the related statements of income and retained earnings for the years then ended and other supplementary information, which is presented only for supplementary analysis purposes, for the year ended December 31, 1996, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and other supplementary information and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures and the statement of cash flows required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position and results of operations and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

February 12, 1997

Olsen Thielen & Co., Ltd.

Associated World-wide with Jeffreys Henry International
223 Little Canada Road, St. Paul, Minnesota 55117-1376 612 483 4521 FAX 612 483 2467
6640 Shady Oak Road, Eden Prairie, Minnesota 55344-7700 612 [illegible]

JEFFERSON TELEPHONE COMPANY, INC.

BALANCE SHEET
DECEMBER 31, 1996 AND 1995
(See Accountants' Compilation Report)

ASSETS

	1996	1995
CURRENT ASSETS:		
Cash	$ 121,684	$ 180,668
Due from Customers	12,003	12,003
Income Tax Refund Receivable	17,259	–
Other Accounts Receivable	106,695	50,832
Total Current Assets	257,641	243,503
INVESTMENTS AND OTHER ASSETS:		
Cash Surrender Value	192,246	182,864
Receivable from Shareholders	79,864	65,164
Investment Securities	64,113	66,700
Other Investments	237,978	237,978
Customer Premises Equipment, Net	582	3,044
Total Investments and Other Assets	574,783	555,750
TELECOMMUNICATIONS PLANT:		
In Service	887,230	848,502
Less Accumulated Depreciation	580,677	515,926
Net Telecommunications Plant	306,553	332,576
TOTAL ASSETS	$ 1,138,977	$ 1,131,829

LIABILITIES AND STOCKHOLDERS' EQUITY

	1996	1995
CURRENT LIABILITIES:		
Current Portion of Long-Term Debt	$ 23,000	$ 21,500
Accounts Payable	47,857	37,864
Customers' Deposits	1,800	1,575
Income Taxes Payable	–	54,326
Other Accrued Taxes	34,230	36,909
Accrued Interest	–	1,307
Total Current Liabilities	106,887	153,481
LONG-TERM DEBT:		
Note Payable	42,534	69,701
Less Amount Due Within One Year	23,000	21,500
Net Long-Term Debt	19,534	48,201
DEFERRED CREDITS AND LIABILITIES:		
Deferred Investment Tax Credits	2,737	3,041
Deferred Income Tax - Operating	38,581	33,097
Deferred Income Tax - Nonoperating	9,550	9,938
Total Deferred Credits and Liabilities	50,868	46,076
STOCKHOLDERS' EQUITY:		
Common Stock - $100 Par Value, 1,500 Shares Authorized, 1,500 Shares Outstanding	150,000	150,000
Unrealized Holding Gain - Net of Taxes	54,119	56,318
Retained Earnings	757,569	677,753
Total Stockholders' Equity	961,688	884,071
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,138,977	$ 1,131,829

JEFFERSON TELEPHONE COMPANY, INC.

STATEMENT OF INCOME AND RETAINED EARNINGS
YEARS ENDED DECEMBER 31, 1996 AND 1995
(See Accountants' Compilation Report)

	1996	1995
OPERATING REVENUES:		
Local Network	$ 77,371	$ 70,451
Network Access	585,304	571,782
Miscellaneous	78,907	82,010
Total Operating Revenues	741,582	724,243
OPERATING EXPENSE:		
Plant Specific	245,371	202,261
Depreciation	72,595	70,241
Other Plant Support	76,201	63,407
Customer	42,240	40,569
Corporate	194,588	170,034
Income Taxes	9,561	45,689
Other Taxes	35,616	38,162
Total Operating Expenses	676,172	630,363
OPERATING INCOME	65,410	93,880
OTHER INCOME AND EXPENSES:		
Interest and Dividends	8,691	7,257
Nonregulated Activities, Net	13,295	18,274
Income Taxes	(3,299)	(3,580)
Net Other Income and Expenses	18,687	21,951
INTEREST EXPENSE - Long-Term Debt	(4,281)	(1,658)
NET INCOME	79,816	114,173
RETAINED EARNINGS, Beginning of Year	677,753	563,580
RETAINED EARNINGS, End of Year	$ 757,569	$677,753

JEFFERSON TELEPHONE COMPANY, INC.

TELECOMMUNICATIONS PLANT IN SERVICE
YEAR ENDED DECEMBER 31, 1996
(See Accountants' Compilation Report)

	Balance 1/1/96	Additions	Retire-ments	Balance 12/31/96
General Support:				
Organization	$ 4,570	$	$	$ 4,570
Land	9,355			9,355
Buildings	33,567			33,567
Furniture and Office Equipment	27,095	5,778		32,873
Vehicles and Other Work Equipment	121,673	15,759	10,499	126,933
Central Office:				
Switching	326,650	7,547		334,197
Transmission	3,000			3,000
Information Origination/ Termination:				
Payphones	829			829
Cable and Wire Facilities:				
Buried Cable	321,763	20,143		341,906
TOTAL TELECOMMUNICATIONS PLANT IN SERVICE	$ 848,502	$ 49,227	$ 10,499	$ 887,230

ACCUMULATED DEPRECIATION

BALANCE - 1/1/96	$ 515,926
Depreciation Expense	72,595
Retirements	(10,499)
Salvage by Trade-In	2,655
BALANCE - 12/31/96	$ 580,677

EXHIBIT C-1

CONSULTING AGREEMENT

CONSULTING AGREEMENT dated as of _________, 1997, between **RICHARD W. CONNORS** ("Connors") and **JEFFERSON TELEPHONE CO., INC.**, a South Dakota corporation (the "Company").

PRELIMINARY STATEMENT

A. The Company desires to avail itself of Connors' business expertise by retaining him to render consulting services as hereinafter set forth.

B. Connors is willing to provide such consulting services to the Company on the terms and conditions as set forth herein.

NOW, THEREFORE, Connors and the Company agree as follows:

AGREEMENT

1. Services. The Company hereby retains Connors to perform such advisory and consultative services, in person or by telephone, with respect to the Company's business activities as may from time to time be reasonably requested by the Board of Directors or the management of the Company, such services to be primarily focused on the Company's cost studies for its phone companies. Connors shall perform such services, and shall devote his knowledge and skill to the best interests of the Company in the performance thereof, and upon reasonable notice from the Company to make himself available at reasonable times during normal business hours for consultation with the officers and directors of the Company with respect thereto, but not to exceed twenty-five (25) hours per calendar month. Notwithstanding the foregoing, it is expressly agreed and understood that (a) Connors shall not be required to render services hereunder outside the Jefferson, South Dakota, area without his consent, and (b) the times and amount of advisory services provided hereunder shall be subject to Connors' availability, taking into account both his other business and personal commitments.

2. Term. The term of engagement under this Agreement shall commence as of the date hereof and shall remain in effect to and including _________, 2007, unless earlier terminated as hereinafter provided.

3. Compensation. For all the services to be rendered by Connors hereunder, the Company shall pay Connors the gross amount of $5000 per year, payable in equal monthly installments at the end of each month during the term of this Agreement, or at such other intervals, not less frequently than once per month, as may be consistent with the Company's normal compensation payment schedule. Connors shall be responsible for the entire amount of any required withholding or unemployment insurance payments, including without limitation

FICA and FUTA. Company shall issue Connors a Form 1099 on a yearly basis as required by Federal law. If Connors dies or this Agreement terminates for any reason (other than termination pursuant to Section 9.2 hereof) prior to the end of the term set forth in Section 2 hereof, Company shall pay Connors or Connors' estate a lump sum equal to $5,000 per year remaining in such term and a pro rata portion of $5,000 for the remainder of the year in which such death or termination occurs.

4. Fringe Benefits. So long as Connors is providing consulting services under this Agreement, the Company shall provide Connors with the following fringe benefits:

(a) Health Insurance. Health, dental and vision insurance for Connors and Connors' spouse, at levels and on terms and conditions as the Company shall provide to its senior officers. This benefit shall survive the termination of this Agreement until Connors reaches age 65.

(b) CATV and Phone Services. So long as Connors continues to reside in Jefferson, South Dakota, the Company shall provide Connors with free local telephone, cellular telephone and cable television service. This benefit shall survive the termination or expiration of this Agreement until such time as Connors or dies, whichever is later.

Except as set forth above, the Company shall not provide any insurance or other fringe benefits to Connors or his spouse or other members of Connors family, except as required by separate agreement between Company and any such family member.

5. Expenses. The Company will reimburse Connors for his reasonable out of pocket expenses incurred in connection with rendering the services called for hereunder, upon submission of such documentation therefor as may from time to time be required by Company policy.

6. Independent Contractor. Connors is an independent contractor and nothing herein shall be construed to create the relationship of employer and employee between him and the Company for tax or any other purpose. Connors shall be free to exercise his own judgment as to the time, place and means of performing his services and shall not be required to maintain office hours, provided that he shall make himself available to the Company for consultation at such time, date and place as requested by the Company consistent with paragraph 1 hereof.

7. Covenants of Connors. During the term of this Agreement, Connors shall not, without the prior written consent of the Company, which consent may be withheld at its sole discretion, using a reasonable degrees of care, make any use, for his own benefit or for the benefit of a business or entity other than the Company or any of its affiliates, of any information or data of or pertaining to the Company or any of its affiliates, their business and financial affairs, or their products or services treated as confidential by them and not generally known within the telecommunications industry and which was acquired by him during his affiliation with the Company or any of its affiliates.

7.1 Acknowledgment. Connors acknowledges that the duration of the covenants set forth in this paragraph 7 are reasonable and essential for the reasonable protection and preservation of the Company's business and proprietary properties and that the enforcement thereof will not in any manner preclude Connors, in the event of termination of Connors's relationship with the Company, from becoming gainfully employed in such a manner and to such extent as to provide a standard of living for himself, the members of his family, and those dependent upon him of at least the sort and fashion to which he and they have been accustomed and may expect. In the event that any of the provisions of the covenants contained in this paragraph 7 shall be held to be invalid or unenforceable, such holding shall not affect the validity of enforceability of any other provision of the covenants, and in the event such claim of invalidity or unenforceability of any such provision shall be predicated upon the length of the term of the covenant contained herein, such provisions shall be deemed to be invalid or unenforceable but shall be deemed modified to the maximum term or duration any court of competent jurisdiction shall deem reasonable and necessary. This Section 7 shall not be construed to prevent Connors from investing his assets in securities traded on a national stock exchange or in the over-the-counter market.

8. Assignment. In view of the personal nature of the services to be performed by Connors under this Agreement, Connors shall not have the right to assign or transfer any of the rights or benefits hereunder, nor shall they be subject to voluntary or involuntary alienation.

9. Termination.

9.1 Connors Option. This Agreement may be terminated by Connors at any time by written notice of termination given to the Company at least 30 days in advance of the termination date stated in such notice. All obligations of the Company and Connors hereunder shall end on such termination date, except as otherwise stated herein.

9.2 Company Option. The Company shall have the option to terminate this Agreement, effective upon written notice of such termination to Connors, only for cause as hereinafter set forth. For purposes of this Agreement, "cause" shall consist only of (a) any intentional breach by Connors of his covenants under Section 7 of this Agreement; (b) commission by Connors of theft or embezzlement of property of the Company or any of its affiliates; or (c) commission of an act by Connors in the performance of his duties hereunder, including but not limited to any act of dishonesty, adjudged by a court of competent jurisdiction to be materially damaging to the business, property, reputation or the management of the Company.

9.3 Termination upon Death. This Agreement shall terminate automatically upon the death of Connors.

10. General Provisions.

10.1 Notice. Any notice required under this Agreement shall be made in writing (a) either by actual delivery to the party, by messenger, by fax or by over-night delivery service or (b) by United States mail, certified mail return receipt requested, postage prepaid and addressed to the party to whom the notice is to be given at the party's respective address set forth below its signature, or such other address as the parties may from time to time designate by written notice as herein provided. The notice shall be deemed to be received, in case (a), on the date of its actual receipt by the party entitled thereto and, in case (b), on the third day after the date of its mailing.

10.2 Amendment and Waiver. No amendment or modification of this Agreement shall be valid or binding upon the Company or Connors unless made in writing and signed by a duly authorized representative of the Company and by Connors. The waiver by the Company or Connors of the breach of any provision of this Agreement by the other party shall not operate or be construed as a waiver of any subsequent breach by such party.

10.3 Entire Agreement. This Agreement contains all of the terms agreed upon by the parties with respect to the subject matter hereof and supersedes all prior agreements, arrangements and communications between the parties dealing with such subject matter, whether oral or written.

10.4 Remedies for Breach. Connors specifically acknowledges that his services under this Agreement are unique and extraordinary and because of his access to the Company's formulas, trade-secrets, customer lists and supplier relationships, irreparable injury will result to the Company and its business and property in the event of a breach of the terms and conditions of this Agreement to be performed by him. Therefore, in the event of a breach of this Agreement, the non-breaching party may be entitled, if it or he so elects, to institute and prosecute proceedings in any court of competent jurisdiction, either at law or in equity. The remedies provided herein shall be cumulative and in addition to any and all other remedies which either party may have at law or in equity.

10.5 Governing Law. This Agreement and all questions arising in connection herewith shall be governed by the laws of the State of South Dakota, excluding its conflicts of law principles.

IN WITNESS WHEREOF, the parties have executed this Consulting Agreement as of the date set forth above.

JEFFERSON TELEPHONE CO., INC.

By:______________________________
Its ____________________________
One River Place
600 Stevens Port Drive, Suite 150
Dakota Dunes, South Dakota 57409-5149

____
RICHARD W. CONNORS

____
____

EXHIBIT C-2

CONSULTING AGREEMENT

CONSULTING AGREEMENT dated as of _________, 1997, between PATRICK T. CONNORS ("Connors") and JEFFERSON TELEPHONE CO., INC., a South Dakota corporation (the "Company").

PRELIMINARY STATEMENT

A. The Company desires to avail itself of Connors' business expertise by retaining him to render consulting services as hereinafter set forth.

B. Connors is willing to provide such consulting services to the Company on the terms and conditions as set forth herein.

NOW, THEREFORE, Connors and the Company agree as follows:

AGREEMENT

1. Services. The Company hereby retains Connors to perform such advisory and consultative services, in person or by telephone, with respect to the Company's business activities as may from time to time be reasonably requested by the Board of Directors or the management of the Company, such services to be primarily focused on the Company's cost studies for its phone companies. Connors shall perform such services, and shall devote his knowledge and skill to the best interests of the Company in the performance thereof, and upon reasonable notice from the Company to make himself available at reasonable times during normal business hours for consultation with the officers and directors of the Company with respect thereto, but not to exceed twenty-five (25) hours per calendar month. Notwithstanding the foregoing, it is expressly agreed and understood that (a) Connors shall not be required to render services hereunder outside the Jefferson, South Dakota, area without his consent, and (b) the times and amount of advisory services provided hereunder shall be subject to Connors' availability, taking into account both his other business and personal commitments.

2. Term. The term of engagement under this Agreement shall commence as of the date hereof and shall remain in effect to and including __________, 2007, unless earlier terminated as hereinafter provided.

3. Compensation. For all the services to be rendered by Connors hereunder, the Company shall pay Connors the gross amount of $5000 per year, payable in equal monthly installments at the end of each month during the term of this Agreement, or at such other intervals, not less frequently than once per month, as may be consistent with the Company's normal compensation payment schedule. Connors shall be responsible for the entire amount of any required withholding or unemployment insurance payments, including without limitation

FICA and FUTA. Company shall issue Connors a Form 1099 on a yearly basis as required by Federal law. If Connors dies or this Agreement terminates for any reason (other than termination pursuant to Section 9.2 hereof) prior to the end of the term set forth in Section 2 hereof, Company shall pay Connors or Connors' estate a lump sum equal to $5,000 per year remaining in such term and a pro rata portion of $5,000 for the remainder of the year in which such death or termination occurs.

4. Fringe Benefits. So long as Connors is providing consulting services under this Agreement, the Company shall provide Connors with the following fringe benefits:

(a) Health Insurance. Health, dental and vision insurance for Connors and Connors' immediate family, at levels and on terms and conditions as the Company shall provide to its senior officers. This benefit shall survive the termination of this Agreement until Connors reaches age 65.

(b) CATV and Phone Services. So long as Connors continues to reside in Jefferson, South Dakota, the Company shall provide Connors with free local telephone, cellular telephone and cable television service. This benefit shall survive the termination or expiration of this Agreement until such time as Connors or dies, whichever is later.

Except as set forth above, the Company shall not provide any insurance or other fringe benefits to Connors or his spouse or other members of Connors family, except as required by separate agreement between Company and any such family member.

5. Expenses. The Company will reimburse Connors for his reasonable out of pocket expenses incurred in connection with rendering the services called for hereunder, upon submission of such documentation therefor as may from time to time be required by Company policy.

6. Independent Contractor. Connors is an independent contractor and nothing herein shall be construed to create the relationship of employer and employee between him and the Company for tax or any other purpose. Connors shall be free to exercise his own judgment as to the time, place and means of performing his services and shall not be required to maintain office hours, provided that he shall make himself available to the Company for consultation at such time, date and place as requested by the Company consistent with paragraph 1 hereof.

7. Covenants of Connors. During the term of this Agreement, Connors shall not, without the prior written consent of the Company, which consent may be withheld at its sole discretion, using a reasonable degrees of care, make any use, for his own benefit or for the benefit of a business or entity other than the Company or any of its affiliates, of any information or data of or pertaining to the Company or any of its affiliates, their business and financial affairs, or their products or services treated as confidential by them and not generally known within the telecommunications industry and which was acquired by him during his affiliation with the Company or any of its affiliates.

7.1 Acknowledgment. Connors acknowledges that the duration and geographical area of the covenants set forth in this paragraph 7 are reasonable and essential for the reasonable protection and preservation of the Company's business and proprietary properties and that the enforcement thereof will not in any manner preclude Connors, in the event of termination of Connors's relationship with the Company, from becoming gainfully employed in such a manner and to such extent as to provide a standard of living for himself, the members of his family, and those dependent upon him of at least the sort and fashion to which he and they have been accustomed and may expect. In the event that any of the provisions of the covenants contained in this paragraph 7 shall be held to be invalid or unenforceable, such holding shall not affect the validity of enforceability of any other provision of the covenants, and in the event such claim of invalidity or unenforceability of any such provision shall be predicated upon the length of the term of the covenant contained herein, such provisions shall be deemed to be invalid or unenforceable but shall be deemed modified to the maximum term or duration any court of competent jurisdiction shall deem reasonable and necessary. This Section 7 shall not be construed to prevent Connors from investing his assets in securities traded on a national stock exchange or in the over-the-counter market.

8. Assignment. In view of the personal nature of the services to be performed by Connors under this Agreement, Connors shall not have the right to assign or transfer any of the rights or benefits hereunder, nor shall they be subject to voluntary or involuntary alienation.

9. Termination.

9.1 Connors Option. This Agreement may be terminated by Connors at any time by written notice of termination given to the Company at least 30 days in advance of the termination date stated in such notice. All obligations of the Company and Connors hereunder shall end on such termination date, except as otherwise stated herein.

9.2 Company Option. The Company shall have the option to terminate this Agreement, effective upon written notice of such termination to Connors, only for cause as hereinafter set forth. For purposes of this Agreement, "cause" shall consist only of (a) any intentional breach by Connors of his covenants under Section 7 of this Agreement; (b) commission by Connors of theft or embezzlement of property of the Company or any of its affiliates; or (c) commission of an act by Connors in the performance of his duties hereunder, including but not limited to any act of dishonesty, adjudged by a court of competent jurisdiction to be materially damaging to the business, property, reputation or the management of the Company.

9.3 Termination upon Death. This Agreement shall terminate automatically upon the death of Connors.

10. General Provisions.

10.1 Notice. Any notice required under this Agreement shall be made in writing (a) either by actual delivery to the party, by messenger, by fax or by over-night delivery service or (b) by United States mail, certified mail return receipt requested, postage prepaid and addressed to the party to whom the notice is to be given at the party's respective address set forth below its signature, or such other address as the parties may from time to time designate by written notice as herein provided. The notice shall be deemed to be received, in case (a), on the date of its actual receipt by the party entitled thereto and, in case (b), on the third day after the date of its mailing.

10.2 Amendment and Waiver. No amendment or modification of this Agreement shall be valid or binding upon the Company or Connors unless made in writing and signed by a duly authorized representative of the Company and by Connors. The waiver by the Company or Connors of the breach of any provision of this Agreement by the other party shall not operate or be construed as a waiver of any subsequent breach by such party.

10.3 Entire Agreement. This Agreement contains all of the terms agreed upon by the parties with respect to the subject matter hereof and supersedes all prior agreements, arrangements and communications between the parties dealing with such subject matter, whether oral or written.

10.4 Remedies for Breach. Connors specifically acknowledges that his services under this Agreement are unique and extraordinary and because of his access to the Company's formulas, trade-secrets, customer lists and supplier relationships, irreparable injury will result to the Company and its business and property in the event of a breach of the terms and conditions of this Agreement to be performed by him. Therefore, in the event of a breach of this Agreement, the non-breaching party may be entitled, if it or he so elects, to institute and prosecute proceedings in any court of competent jurisdiction, either at law or in equity. The remedies provided herein shall be cumulative and in addition to any and all other remedies which either party may have at law or in equity.

10.5 Governing Law. This Agreement and all questions arising in connection herewith shall be governed by the laws of the State of South Dakota, excluding its conflicts of law principles.

IN WITNESS WHEREOF, the parties have executed this Consulting Agreement as of the date set forth above.

JEFFERSON TELEPHONE CO., INC.

By:_____________________________
Its __________________________
One River Place
600 Stevens Port Drive, Suite 150
Dakota Dunes, South Dakota 57409-5149

____
PATRICK T. CONNORS

____

____

EXHIBIT C-3

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT dated as of __________, 1997, between **PATRICK T. CONNORS** ("Connors") and **JEFFERSON TELEPHONE CO., INC.**, a South Dakota corporation (the "Company").

For good and valuable consideration, the Company and Connors agree as follows:

1. Employment and Duties. On the terms and subject to the conditions set forth in this Agreement, the Company shall employ Connors as its ______________, to render such services and discharge such responsibilities as the President or Board of Directors of the Company (the "Board") may, from time to time, stipulate. Connors accepts the employment described in this Section 1, and shall devote all of his business time and efforts to the performance of the services described herein.

2. Term. The term of employment under this Agreement (the "Employment Period") shall commence as of the date hereof and shall remain in effect for a period of 5 years thereafter ending on ______________, 2002, unless earlier terminated as hereinafter provided.

3. Compensation. During the Employment Period:

3.1. Salary. For all the services to be rendered by Connors hereunder, the Company shall pay Connors a salary of $35,000 per year, payable every two weeks or otherwise according to the Company's regular pay schedule for salaried employees. Connors' salary is and shall be subject to upward adjustment upon each anniversary date of this Agreement, in an amount determined by the Board in its sole discretion.

3.2. Vacation. Connors shall be entitled to take vacation, with pay, during each year of service under this Agreement, to be taken during the year in accordance with Company policy at the time this Agreement is executed. Vacation allowances shall not be cumulative from year to year. For purposes of calculating years of service under the Company vacation policy, Connors shall be deemed to have 30 years of service as of July 1, 1997.

3.3. Insurance. The Company shall provide Connors and his immediate family health insurance in accordance with that certain Consulting Agreement dated __________, 1997 between the Company and Connors.

3.4. Other Benefits. Except as otherwise specifically provided herein, Connors shall be eligible for all non-wage benefits the Company provides generally for its other salaried employees.

4. <u>Business Expenses</u>. Subject to policies and procedures adopted from time to time by the Company, the Company shall reimburse Connors for the reasonable and necessary expenses incurred by him in connection with the performance of his duties hereunder. As a condition precedent to reimburse Connors for his expenses hereunder, Connors shall provide the Company with an accounting of his expenses, together with such other supporting documentation and other substantiation of reimbursable expenses as will conform to the Company's requirements.

5. <u>Covenants of Connors</u>.

5.1. <u>Non-Competition</u>. During the Employment Period and for 12 months thereafter, Connors shall not, without the prior written consent of the Company, directly or indirectly, for himself or for any other person, firm, corporation, or other entity, become engaged or interested, either in whole or in part, in any business or enterprise involved in any way in producing or selling any product or service produced or sold by the Company or competitive therewith in the geographical area serviced by the Company at the time of Connors' action in violation of this section, or with respect to which the Company has begun research and development prior to the date of termination or expiration of this Agreement, in the geographical area serviced by the Company at the time of such expiration or termination.

5.2. <u>Relations with Employees and Customers</u>. During the Employment Period and for 12 months thereafter, Connors shall not, without the prior written consent of the Company, directly or indirectly, solicit, contact, interfere with or divert any then current customer served by the Company during the term of this Agreement; or solicit any person then employed by the Company to join Connors, whether as a partner, agent, employee or otherwise, in any enterprise engaged in a business similar to the business of the Company being conducted at the time of such termination.

5.3. <u>Confidentiality</u>. During the Employment Period and for a period of three (3) years thereafter, Connors shall not, without the prior written consent of the Company, make any use, for his own benefit or for the benefit of a business or entity other than the Company or any of its affiliates, of any information or data of or pertaining to the Company or any of its affiliates, their business and financial affairs, or their products or services treated as confidential by them and not generally known within the telecommunications industry and which was acquired by him during his affiliation with the Company or any of its affiliates.

5.4. <u>Inventions</u>. Except as otherwise provided below, Connors shall promptly disclose to the Company all inventions, ideas, devices, and processes made or conceived by him alone or jointly with others, during the Employment Period that relate to the business of the Company, and shall do all such acts and execute, acknowledge and deliver all such instruments as may be necessary or desirable in the opinion of the Company to vest in the Company the entire interest in such inventions, ideas, devices, and processes referred to above. Notwithstanding the foregoing, Connors shall not be required to assign or offer to assign to the Company any of Connors's rights in any invention for which no equipment, supplies, facility, or trade secret information of the Company was used and which was developed entirely on Connors's own time, unless (a) the invention related to (i) the business of the Company or (ii) the Company's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by Connors for the Company.

5.5. Acknowledgment. Connors acknowledges that the duration of the covenants set forth in this Section 5 are reasonable and essential for the reasonable protection and preservation of the Company's business and proprietary properties and that the enforcement thereof will not in any manner preclude Connors, in the event of termination of Connors's relationship with the Company, from becoming gainfully employed in such a manner and to such extent as to provide a standard of living for himself, the members of his immediate family, and those dependent upon him of at least the sort and fashion to which he and they have been accustomed and may expect. In the event that any of the provisions of the covenants contained in this Section 5 shall be held to be invalid or unenforceable, such holding shall not affect the validity of enforceability of any other provision of the covenants, and in the event such claim of invalidity or unenforceability of any such provision shall be predicated upon the length of the term of the covenant contained herein or the area covered thereby, such provisions shall be deemed to be invalid or unenforceable but shall be deemed modified to the maximum duration any court of competent jurisdiction shall deem reasonable and necessary. This Section 5 shall not be construed to prevent Connors from investing his assets in securities traded on a national stock exchange or in the over-the-counter market.

5.6. Severability. The covenants of Connors contained in this Section 5 hereof shall each be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Connors against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such covenants. Both parties hereby expressly agree and contract that it is not the intention of either party to violate any public policy, statutory or common law, and that if any sentence, paragraph, clause, or combination of the same of this Agreement is in violation of the law of any state where applicable, such sentence, paragraph, clause or combination of the same shall be void in the jurisdictions where it is unlawful, and the remainder of such paragraph and this Agreement shall remain binding on the parties to make the covenants of this Agreement binding only to the extent that it may be lawfully done under existing applicable laws. In the event that any part of any covenant of this Agreement is determined by a court of law to be overly broad thereby making the covenant unenforceable, the parties hereto agree, and it is their desire, that such court shall substitute a judicially enforceable limitation in its place, and that as so modified the covenant shall be binding upon the parties as if originally set forth herein.

6. Termination.

6.1. Connors Option. This Agreement may be terminated by Connors at any time by written notice of termination given to the Company at least 30 days in advance of the termination date stated in such notice. All obligations of the Company and Connors hereunder shall end on such termination date, except for any accrued but unpaid compensation or benefits that the Company owes to Connors.

6.2. Company Options.

(a) Termination for Cause. The Company shall have the option to terminate the Employment Period, effective upon written notice of such termination to Connors, for "cause." For purposes of this Agreement, "cause" shall consist only of (a) any intentional breach by Connors of his covenants under Section 5 of this Agreement; (b) commission of an act by Connors in the performance of his duties hereunder determined by the Board of Directors of the Company to amount to gross, willful, or wanton negligence or misconduct; (c) willful refusal to perform or substantial neglect of the duties assigned to Connors pursuant to Section 1 hereof; or (d) commission of an act by Connors in the performance of his duties hereunder, including but not limited to any act of dishonesty, adjudged by a court of competent jurisdiction to be materially damaging to the business, property, reputation or the management of the Company.

(b) Termination on Death or Disability. In addition, the Company may terminate this Agreement upon the death or permanent total disability of Connors or his absence from employment by reason of illness or incapacity for a period in excess of 12 consecutive weeks.

(c) Termination With Pay. The Employment Period may also be terminated by the Company at any time, for any reason, by written notice to Connors, effective at such time as shall be stated in such written notice; provided that the Company shall continue to pay and provide for Connors the salary and other benefits set forth in Section 3 hereof from and after the date of such termination through the date upon which the Employment Period would otherwise terminate by the passage of time or, if earlier, the date upon which the Company would otherwise have a right to terminate the Employment Period.

6.3. Surrender of Properties. Upon termination of Connors' employment with the Company, regardless of the cause therefor, Connors shall promptly surrender to the Company all property provided him by the Company for use in relation to his employment, and, in addition, Connors shall surrender to the Company any and all sales materials, lists of customers and prospective customers, price lists, files, patent applications, records, models, or other materials and information of or pertaining to the Company or its customers or prospective customers or the products, business, and operations of the Company.

6.4. Survival of Covenants. The covenants of Connors set forth in Section 5 of this Agreement shall survive the termination of the Employment Period or termination of this Agreement, regardless of the cause therefor.

7. General Provisions.

7.1. Notice. Any notice required or permitted hereunder shall be made in writing (a) either by actual delivery of the notice to the party, or (b) by the mailing of the notice in the United States mail, certified or registered mail, return receipt requested, postage prepaid and addressed to the party to whom the notice is to be given at the party's respective address set forth below, or such other address as the parties may from time to time designate by written notice as herein provided. A notice shall be deemed to be received in case (a) on the date of its actual receipt by the party entitled thereto, and in case (b) four (4) business days from the date of its mailing.

7.2. Amendment and Waiver. No amendment or modification of this Agreement shall be valid or binding upon the Company unless made in writing and signed by an officer of the Company duly authorized by the Board of Directors or upon Connors unless made in writing and signed by him. The waiver by the Company or Connors of the breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach of that or any other provision hereof.

7.3. Governing Law. The validity and effect of this Agreement and the rights and obligations of the parties hereto shall be construed and determined in accordance with the laws of the State of South Dakota without reference to its conflicts of law principles.

7.4. Entire Agreement. This Agreement contains all of the terms agreed upon by the parties with respect to the subject matter hereof and supersedes all prior agreements, arrangements and communications between the parties dealing with such subject matter, whether oral or written. The parties acknowledge the existence of that certain Consulting Agreement dated __________, 1997, between the Company and Connors.

7.5. Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the transferees, successors and assigns of the Company, including any company or corporation with which the Company may merge or consolidate.

7.6. Remedies for Breach. In the event of any breach of the terms and conditions of this Agreement, the non-breaching party the Company shall be entitled, if it so elects, to institute and prosecute proceedings in any court of competent jurisdiction, either at law or in equity, to enjoin such breach or potential breach, and to obtain damages for any breach of this Agreement. The remedies provided herein shall be cumulative and in addition to any and all other remedies which either party may have at law or in equity.

7.7. Costs of Enforcement. In the event of any suit or proceeding seeking to enforce the terms, covenants, or conditions of this Agreement, the prevailing party shall, in addition to all other remedies and relief that may be available under this Agreement or applicable law, recover his or its reasonable attorneys' fees and costs as shall be determined and awarded by the court.

IN WITNESS WHEREOF, the parties hereto have caused this Employment Agreement to be duly executed on the date and year first written above.

JEFFERSON TELEPHONE CO., INC.

By: ______________________

Its: ______________________

One River Place
600 Stevens Port Drive, Ste 150
Dakota Dunes, SD 57049-5149
Attention: ____________________

____
PATRICK T. CONNORS

____

____

EXHIBIT C-4

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT dated as of __________, 1997, between **THOMAS CONNORS** ("Connors") and **JEFFERSON TELEPHONE CO., INC.**, a South Dakota corporation (the "Company").

For good and valuable consideration, the Company and Connors agree as follows:

1. Employment and Duties. On the terms and subject to the conditions set forth in this Agreement, the Company shall employ Connors as its _______________, to render such services and discharge such responsibilities as the President or Board of Directors of the Company (the "Board") may, from time to time, stipulate. Connors accepts the employment described in this Section 1, and shall devote all of his business time and efforts to the performance of the services described herein.

2. Term. The term of employment under this Agreement (the "Employment Period") shall commence as of the date hereof and shall remain in effect for a period of 5 years thereafter ending on ______________, 2002, unless earlier terminated as hereinafter provided.

3. Compensation. During the Employment Period:

3.1. Salary. For all the services to be rendered by Connors hereunder, the Company shall pay Connors a salary of $32,000 per year, payable every two weeks or otherwise according to the Company's regular pay schedule for salaried employees. Connors' salary is and shall be subject to upward adjustment upon each anniversary date of this Agreement, in an amount determined by the Board in its sole discretion.

3.2. Vacation. Connors shall be entitled to take vacation, with pay, during each year of service under this Agreement, to be taken during the year in accordance with Company policy at the time this Agreement is executed. Vacation allowances shall not be cumulative from year to year. For purposes of calculating years of service under the Company vacation policy, Connors shall be deemed to have 5 years of service as of July 1, 1997.

3.3. Insurance. The Company shall provide Connors and his immediate family health insurance in accordance with that certain Consulting Agreement dated ___________, 1997 between the Company and Connors.

3.4. Other Benefits. Except as otherwise specifically provided herein, Connors shall be eligible for all non-wage benefits the Company provides generally for its other salaried employees.

4. Business Expenses. Subject to policies and procedures adopted from time to time by the Company, the Company shall reimburse Connors for the reasonable and necessary expenses incurred by him in connection with the performance of his duties hereunder. As a condition precedent to reimburse Connors for his expenses hereunder, Connors shall provide the Company with an accounting of his expenses, together with such other supporting documentation and other substantiation of reimbursable expenses as will conform to the Company's requirements.

5. Covenants of Connors.

5.1. Non-Competition. During the Employment Period and for 12 months thereafter, Connors shall not, without the prior written consent of the Company, directly or indirectly, for himself or for any other person, firm, corporation, or other entity, become engaged or interested, either in whole or in part, in any business or enterprise involved in any way in producing or selling any product or service produced or sold by the Company or competitive therewith in the geographical area serviced by the Company at the time of Connors' action in violation of this section, or with respect to which the Company has begun research and development prior to the date of termination or expiration of this Agreement, in the geographical area serviced by the Company at the time of such expiration or termination.

5.2. Relations with Employees and Customers. During the Employment Period and for 12 months thereafter, Connors shall not, without the prior written consent of the Company, directly or indirectly, solicit, contact, interfere with or divert any then current customer served by the Company during the term of this Agreement; or solicit any person then employed by the Company to join Connors, whether as a partner, agent, employee or otherwise, in any enterprise engaged in a business similar to the business of the Company being conducted at the time of such termination.

5.3. Confidentiality. During the Employment Period and for a period of three (3) years thereafter, Connors shall not, without the prior written consent of the Company, make any use, for his own benefit or for the benefit of a business or entity other than the Company or any of its affiliates, of any information or data of or pertaining to the Company or any of its affiliates, their business and financial affairs, or their products or services treated as confidential by them and not generally known within the telecommunications industry and which was acquired by him during his affiliation with the Company or any of its affiliates.

5.4. Inventions. Except as otherwise provided below, Connors shall promptly disclose to the Company all inventions, ideas, devices, and processes made or conceived by him alone or jointly with others, during the Employment Period that relate to the business of the Company, and shall do all such acts and execute, acknowledge and deliver all such instruments as may be necessary or desirable in the opinion of the Company to vest in the Company the entire interest in such inventions, ideas, devices, and processes referred to above. Notwithstanding the foregoing, Connors shall not be required to assign or offer to assign to the Company any of Connors's rights in any invention for which no equipment, supplies, facility, or trade secret information of the Company was used and which was developed entirely on Connors's own time, unless (a) the invention related to (i) the business of the Company or (ii) the Company's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by Connors for the Company.

5.5. Acknowledgment. Connors acknowledges that the duration of the covenants set forth in this Section 5 are reasonable and essential for the reasonable protection and preservation of the Company's business and proprietary properties and that the enforcement thereof will not in any manner preclude Connors, in the event of termination of Connors's relationship with the Company, from becoming gainfully employed in such a manner and to such extent as to provide a standard of living for himself, the members of his immediate family, and those dependent upon him of at least the sort and fashion to which he and they have been accustomed and may expect. In the event that any of the provisions of the covenants contained in this Section 5 shall be held to be invalid or unenforceable, such holding shall not affect the validity of enforceability of any other provision of the covenants, and in the event such claim of invalidity or unenforceability of any such provision shall be predicated upon the length of the term of the covenant contained herein or the area covered thereby, such provisions shall be deemed to be invalid or unenforceable but shall be deemed modified to the maximum duration any court of competent jurisdiction shall deem reasonable and necessary. This Section 5 shall not be construed to prevent Connors from investing his assets in securities traded on a national stock exchange or in the over-the-counter market.

5.6. Severability. The covenants of Connors contained in this Section 5 hereof shall each be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Connors against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such covenants. Both parties hereby expressly agree and contract that it is not the intention of either party to violate any public policy, statutory or common law, and that if any sentence, paragraph, clause, or combination of the same of this Agreement is in violation of the law of any state where applicable, such sentence, paragraph, clause or combination of the same shall be void in the jurisdictions where it is unlawful, and the remainder of such paragraph and this Agreement shall remain binding on the parties to make the covenants of this Agreement binding only to the extent that it may be lawfully done under existing applicable laws. In the event that any part of any covenant of this Agreement is determined by a court of law to be overly broad thereby making the covenant unenforceable, the parties hereto agree, and it is their desire, that such court shall substitute a judicially enforceable limitation in its place, and that as so modified the covenant shall be binding upon the parties as if originally set forth herein.

6. Termination.

6.1. Connors Option. This Agreement may be terminated by Connors at any time by written notice of termination given to the Company at least 30 days in advance of the termination date stated in such notice. All obligations of the Company and Connors hereunder shall end on such termination date, except for any accrued but unpaid compensation or benefits that the Company owes to Connors.

6.2. Company Options.

(a) Termination for Cause. The Company shall have the option to terminate the Employment Period, effective upon written notice of such termination to Connors, for "cause." For purposes of this Agreement, "cause" shall consist only of (a) any intentional breach by Connors of his covenants under Section 5 of this Agreement; (b) commission of an act by Connors in the performance of his duties hereunder determined by the Board of Directors of the Company to amount to gross, willful, or wanton negligence or misconduct; (c) willful refusal to perform or substantial neglect of the duties assigned to Connors pursuant to Section 1 hereof; or (d) commission of an act by Connors in the performance of his duties hereunder, including but not limited to any act of dishonesty, adjudged by a court of competent jurisdiction to be materially damaging to the business, property, reputation or the management of the Company.

(b) Termination on Death or Disability. In addition, the Company may terminate this Agreement upon the death or permanent total disability of Connors or his absence from employment by reason of illness or incapacity for a period in excess of 12 consecutive weeks.

(c) Termination With Pay. The Employment Period may also be terminated by the Company at any time, for any reason, by written notice to Connors, effective at such time as shall be stated in such written notice; provided that the Company shall continue to pay and provide for Connors the salary and other benefits set forth in Section 3 hereof from and after the date of such termination through the date upon which the Employment Period would otherwise terminate by the passage of time or, if earlier, the date upon which the Company would otherwise have a right to terminate the Employment Period.

6.3. Surrender of Properties. Upon termination of Connors' employment with the Company, regardless of the cause therefor, Connors shall promptly surrender to the Company all property provided him by the Company for use in relation to his employment, and, in addition, Connors shall surrender to the Company any and all sales materials, lists of customers and prospective customers, price lists, files, patent applications, records, models, or other materials and information of or pertaining to the Company or its customers or prospective customers or the products, business, and operations of the Company.

6.4. Survival of Covenants. The covenants of Connors set forth in Section 5 of this Agreement shall survive the termination of the Employment Period or termination of this Agreement, regardless of the cause therefor.

7. General Provisions.

7.1. Notice. Any notice required or permitted hereunder shall be made in writing (a) either by actual delivery of the notice to the party, or (b) by the mailing of the notice in the United States mail, certified or registered mail, return receipt requested, postage prepaid and addressed to the party to whom the notice is to be given at the party's respective address set forth below, or such other address as the parties may from time to time designate by written notice as herein provided. A notice shall be deemed to be received in case (a) on the date of its actual receipt by the party entitled thereto, and in case (b) four (4) business days from the date of its mailing.

7.2. Amendment and Waiver. No amendment or modification of this Agreement shall be valid or binding upon the Company unless made in writing and signed by an officer of the Company duly authorized by the Board of Directors or upon Connors unless made in writing and signed by him. The waiver by the Company or Connors of the breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach of that or any other provision hereof.

7.3. Governing Law. The validity and effect of this Agreement and the rights and obligations of the parties hereto shall be construed and determined in accordance with the laws of the State of South Dakota without reference to its conflicts of law principles.

7.4. Entire Agreement. This Agreement contains all of the terms agreed upon by the parties with respect to the subject matter hereof and supersedes all prior agreements, arrangements and communications between the parties dealing with such subject matter, whether oral or written. The parties acknowledge the existence of that certain Consulting Agreement dated __________, 1997, between the Company and Connors.

7.5. Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the transferees, successors and assigns of the Company, including any company or corporation with which the Company may merge or consolidate.

7.6. Remedies for Breach. In the event of any breach of the terms and conditions of this Agreement, the non-breaching party the Company shall be entitled, if it so elects, to institute and prosecute proceedings in any court of competent jurisdiction, either at law or in equity, to enjoin such breach or potential breach, and to obtain damages for any breach of this Agreement. The remedies provided herein shall be cumulative and in addition to any and all other remedies which either party may have at law or in equity.

7.7. Costs of Enforcement. In the event of any suit or proceeding seeking to enforce the terms, covenants, or conditions of this Agreement, the prevailing party shall, in addition to all other remedies and relief that may be available under this Agreement or applicable law, recover his or its reasonable attorneys' fees and costs as shall be determined and awarded by the court.

IN WITNESS WHEREOF, the parties hereto have caused this Employment Agreement to be duly executed on the date and year first written above.

JEFFERSON TELEPHONE CO., INC.

By: ______________________
Its: ______________________

One River Place
600 Stevens Port Drive, Ste 150
Dakota Dunes, SD 57049-5149
Attention: ____________________

____
THOMAS CONNORS

____
____

SCHEDULE 3(a)

FOREIGN QUALIFICATIONS

None.

SCHEDULE 3(d)

CAPITALIZATION

Article VI of the Company's Articles of Incorporation authorizes 5,000 shares of common stock, par value $100 per share.

As of May 31, 1997, the Company's issued and outstanding shares of common stock were held as follows:

Patrick T. Connors		500 shares
Richard W. Connors		500 shares
Sheryl K. Connors		250 shares
Virginia L. Connors		250 shares
	Total:	1,500 shares common stock issued and outstanding

Agreements which may restrict or limit transfer of the foregoing securities are as follows:

1. Stockholder Cross Purchase Buy-Sell Agreement by and between Richard W. Connors, Patrick T. Connors, Sheryl K. Connors and Virginia L. Connors and Jefferson Telephone Company, Inc., dated January 6, 1992.

SCHEDULE 3(e)

SUBSIDIARIES

1. The Company is a party to the Stock Purchase Agreement, dated September 18, 1989 among Eastern South Dakota Cellular, Inc. and its shareholders as identified therein, as amended by the First Amendment to Stock Purchase Agreement, dated October 31, 1995.

2. The Company owns 2,300 shares of CommNet Cellular, Inc. stock, par value $.001, issued May 1, 1995.

3. The Company owns 1,767 shares of Express Communications, Inc. stock, par value $1.00, issued January 6, 1992.

4. The Company has a voting membership interest in Local Exchange Carriers Association, a South Dakota non-profit corporation.

5. The Company is a party to the Buy-Sell Agreement between Jefferson Cellular, Inc. and the Company, dated April 9, 1986, and the amendment thereto dated April 9, 1990.

6. The Company is a party to the Buy-Sell Agreement between Express Communications, Inc. and a number of telephone companies as identified therein, including the Company, dated November 26, 1991.

SCHEDULE 3(f)

EXCLUDED ASSETS

1. 4 x 4 ATV ($0)

2. R-40 Ditchwitch ($0)

3. 1995 Chevy Blazer ($12,500)

4. 1996 Chevy Van ($3,000)

5. 1997 Ford Pickup ($15,000)

6. The following life insurance policies:

   a. Split-Dollar Life Insurance Policy for Richard W. Connors issued by Federal Kemper Life Assurance Company, Policy No. FK503-7622, in the face amount of $1 million, issued September 5, 1991, to fund the Stockholder Cross Purchase Agreement between Richard W. and Patrick T. Connors. (cash surrender/book value)

   b. Split-Dollar Life Insurance Policy for Patrick T. Connors issued by Federal Kemper Life Assurance Company, Policy No. FK503-7623, in the face amount of $1 million, issued September 5, 1991, to fund the Stockholder Cross Purchase Agreement between Richard W. and Patrick T. Connors. (cash surrender/book value)

   c. Security Connecticut Life Insurance Company flexible premium adjustable Life Insurance Policy, Policy No. 00798276G for Richard W. Connors, in the amount of $100,000, effective September 1, 1991. (cash surrender/book value)

   d. Security Connecticut Life Insurance Company flexible premium adjustable Life Insurance Policy, Policy No. 00798277D for Patrick Connors, in the amount of $100,000, effective September 1, 1991. (cash surrender/book value)

SCHEDULE 3(g)

CONTRACTS

1. Express Operating Agreement, dated January 1, 1991, by and between Express Communications, Inc. and Jefferson Telephone Company, which includes Attachment A (Agreement for the Provision of Billing and Collection Services) and Attachment B (Agreement for Assignment of Intralata Long Distance Services).

2. AT&T Umbrella Contract (Article 1:General Provisions).

3. AT&T Billing and Collection Contract (Article 8-2).

4. AT&T Marketing Contract (Article 20-2).

5. AT&T Mutual Honoring of Calling Cards (Article 31).

6. AT&T Provisions of AT&T Calling Cards (Article 37).

7. USWEST Accounting Services Agreement dated July 9, 1992.

8. USWEST Billing & Collecting Agreement dated January 1, 1984.

9. USWEST 8xx Database Agreement dated July 1, 1993.

10. USWEST DLA (Director, Local Opr. and Assoc. Svs.) Agreement dated June 1, 1985.

11. USWEST Feature Group A Agreement dated October 10, 1990.

12. USWEST Feature Group B Agreement dated October 10, 1990.

13. USWEST Line Information Database Agreement dated September 1, 1991.

14. USWEST Listing Information Agreement dated July 1, 1992.

15. USWEST Operating Services Agreement dated August 1, 1993.

16. USWEST Single Bill Agreement dated January 1, 1997.

17. Consulting Agreement by and between TELEC Consulting Resources, Inc. and Jefferson Telephone Company, dated April 1, 1994.

18. Buy-Sell Agreement between Jefferson Cellular, Inc. and Jefferson Telephone Company, dated April 9, 1986, with amendment dated April 9, 1990.

19. The Company is a party to the Buy-Sell Agreement between Express Communications, Inc. and a number of telephone companies as identified therein, including the Company, dated November 26, 1991.

20. The Company is a party to the Stock Purchase Agreement, dated September 18, 1989 among Eastern South Dakota Cellular, Inc. and its shareholders identified therein, as amended by the First Amendment to Stock Purchase Agreement, dated October 31, 1995.

21. Stockholder Cross Purchase Buy-Sell Agreement, dated January 6, 1992, by and between Richard W. Connors, Patrick T. Connors, Sheryl K. Connors and Virginia L. Connors and Jefferson Telephone Company, Inc.

22. A Software License Agreement between NTI and the Company related to the Northern DMS-10 switch licensed by the Company, effective March 15, 1988.

23. USIN/LEC Agreement for OSP Billing and Collection Services between the Company and U.S. Intelco Networks, Inc., dated August 12, 1988.

24. Split Dollar Life Insurance Agreement-Collateral Assignment by and between Richard W. Connors and Jefferson Telephone Company, dated January 6, 1992.

25. Split Dollar Life Insurance Agreement-Collateral Assignment by and between Patrick T. Connors and Jefferson Telephone Company, dated January 6, 1992.

26. Salary Continuation Agreement for Richard W. Connors, dated January 6, 1992, by and between Jefferson Telephone Company, Inc. and Richard W. Connors. The Company will terminate this agreement as of Closing.

27. Salary Continuation Agreement for Patrick T. Connors, dated January 6, 1992, by and between Jefferson Telephone Company, Inc. and Patrick T. Connors. The Company will terminate this agreement as of Closing.

28. Revolving Line of Credit Application and Agreement between Jefferson Telephone Company, Inc. and Rural Telephone Finance Cooperative, dated December 27, 1994.

29. See Schedule 3(v) for a list of the Company's insurance contracts.

SCHEDULE 3(i)

TAXES

1. Taxable periods which statutes of limitations have not expired: (i) corporate tax returns for years ending December 31, 1993, 1994, 1995 and 1996; and (ii) payroll, unemployment taxes for all periods ending after June 30, 1994.

2. No tax examinations have been completed or are presently being conducted by taxing authorities. All required tax returns have been filed.

SCHEDULE 3(k)(i)(b)

OTHER LIABILITIES

None

SCHEDULE 3(k)(c)

MATERIAL ADVERSE CHANGE

1. Received from NECA $2,470 less than the amount shown as a "NECA Receivable" on the December 31, 1996 balance sheet.

SCHEDULE 3(I)

CHANGES SINCE DECEMBER 31, 1996

(ii) The Company anticipates entering into an amendment to its operating agreement with Express Communications, Inc.

(iv) The Company has not increased compensation or bonuses, payable to employees, except in the ordinary course of business in a manner consistent with historical practices, and effective July 1, 1997, the Company's Board of Directors approved payment of a special one-time bonus of $250,000 to each Richard W. Connors and Patrick T. Connors in recognition of their more than 25 years of service to and leadership of the Company. The Company is obligated to pay the bonuses in the first quarter of 1998.

(v) See (iv) above.

(vii) EPS Technologies, a T-1 customer of Company, has moved from Jefferson, South Dakota to Omaha, Nebraska, which has resulted in a loss of business for the Company.

(viii) See (iv) above.

The Company has spent approximately $140,000 cash on construction of new facilities required because Union County widened the county road.

SCHEDULE 3(o)

EMPLOYEE BENEFIT PLANS

1. Combined Insurance Company of America Long Term Disability Policy, Policy Form 19698-SD, Policy No. K5 44 9611-0290 (group no. KO 44 4227), effective July 1, 1995, for all employees with a minimum of thirty (30) hours per week.

2. Employee Benefit Plan pursuant to Simplified Employee Pension-Individual Retirement Account Contributions Agreement under Section 408(k) of the I.R.C., dated October 12, 1994.

3. Split-Dollar Life Insurance Policy for Richard W. Connors issued by Federal Kemper Life Assurance Company, Policy No. FK503-7622, in the face amount of $1 million, issued September 5, 1991, to fund the Stockholder Cross Purchase Agreement between Richard W. and Patrick T. Connors.

4. Split-Dollar Life Insurance Policy for Patrick T. Connors issued by Federal Kemper Life Assurance Company, Policy No. FK503-7623, in the face amount of $1 million, issued September 5, 1991, to fund the Stockholder Cross Purchase Agreement between Richard W. and Patrick T. Connors.

5. Salary Continuation Agreement for Richard W. Connors, dated January 6, 1992, by and between Jefferson Telephone Company, Inc. and Richard W. Connors. The Company will terminate this agreement at Closing.

6. Salary Continuation Agreement for Patrick T. Connors, dated January 6, 1992, by and between Jefferson Telephone Company, Inc. and Patrick T. Connors. The Company will terminate this agreement at Closing.

7. OPASTCO Benefit Plan, Group No. 656133-10-59, providing traditional medical, standard dental and employee life insurance coverage to all employees of the Company.

8. Life Investors Insurance Company of America life insurance policy on Tom J. Connors, Policy No. 110 01 1962825, with a face amount of $75,000, issued May 17, 1995.

9. The Company has no formal vacation policy and none of the employees of the Company has accrued vacation time or pay.

10. The Company has no formal bonus plan for its employees, although the Board of Directors of the Company has typically given an annual bonus to the majority of its employees based on certain factors, including financial

11. Security Connecticut Life Insurance Company flexible premium adjustable Life Insurance Policy, Policy No. 00798276G for Richard W. Connors, in the amount of $100,000, effective September 1, 1991.

12. Security Connecticut Life Insurance Company flexible premium adjustable Life Insurance Policy, Policy No. 00798277D for Patrick Connors, in the amount of $100,000, effective September 1, 1991.

13. The Company adopted a written medical benefit plan, effective January 1, 1979, which reimburses Company officers up to the amount of $1,500 per year, for the medical expenses of the officer, his or her spouse and his or her dependent children.

SCHEDULE 3(p)

ENVIRONMENTAL MATTERS

The gas station located across the street from the Company's main office is being monitored for environmental contamination. As a part of that monitoring, two monitoring wells were placed on the Company's property. The Company is not aware of any environmental contamination on its property, nor has it has it been served with any notices stating such fact. The Company has been advised that water runs away from the Company's property towards the gas station and, thus, the Company assumes that any contamination beneath the gas station, if any, has not also contaminated the Company's property.

SCHEDULE 3(q)

INTELLECTUAL PROPERTY

The Company has registered the corporate name of the Company as a corporation in the State of South Dakota and owns any common law trademark rights associated therewith.

SCHEDULE 3(r)

REAL PROPERTY

1. The Company leases approximately two (2) acres of land, on which it stores materials in two (2) storage buildings. One building is approximately 100X40, while the other is approximately 30X50. The rental payment for this property is $250 per month. The Company has only an oral agreement with the owner for the lease of this property.

2. The Company owns the following parcels of land:

   (a) The West Ten (10) feet of Lot three (3) and all of Lot Four (4), of Block three (3), of the Town of Jefferson, Union County, South Dakota;

   (b) The Southerly 75 Feet of Lot Eight (8), in Block Three (3), of the Original Townsite of Jefferson, South Dakota, being a rectangular tract the Southerly boundary being North Railroad Street and the Westerly boundary, Fourth Street in said Town of Jefferson, subject to easements and right of ways now existing of record; and

   (c) The Easterly Thirty (30) feet of Lot Five (5) of Block Three (3) of the original Town of Jefferson, Union County, South Dakota.

SCHEDULE 3(s)

LICENSES

1. Certificate of Authority issued by the South Dakota Public Utilities Commission.

SCHEDULE 3(v)

INSURANCE

1. Combined Insurance Company of America Long Term Disability Policy, Policy Form 19698-SD, Policy No. K5 44 9611-0290 (group no. KO 44 4227), effective July 1, 1995, for all employees with a minimum of thirty (30) hours per week.

2. Split-Dollar Life Insurance Policy for Richard W. Connors issued by Federal Kemper Life Assurance Company, Policy No. FK503-7622, in the face amount of $1 million, issued September 5, 1991, to fund the Stockholder Cross Purchase Agreement between Richard W. and Patrick T. Connors.

3. Split-Dollar Life Insurance Policy for Patrick T. Connors issued by Federal Kemper Life Assurance Company, Policy No. FK503-7623, in the face amount of $1 million, issued September 5, 1991, to fund the Stockholder Cross Purchase Agreement between Richard W. and Patrick T. Connors.

4. Life Investors Insurance Company of America life insurance policy on Tom J. Connors, Policy No. 110011962825, with a face amount of $75,000, issued May 17, 1995.

5. National Farmers Union Standard Insurance Company for Jefferson Telephone Exchange, et. al., effective until December 31, 1997.

General Liability (Commercial General and Contractor's Protective)	Policy No. 2RU0153428
Automobile Liability ($1 million combined single limit)	Policy No. 2RU0153428
Umbrella (Each occurrence and aggregate $2 million)	Policy No. 2CB0153429
Workers' Compensation and Employer's Liability	Policy No. 2WC0153432
Real and Personal Property	Policy No. 2RU0153428
Directors, Officers and Managers Insurance and Company Reimbursement ($1 million)	Policy No. 2DO0153431

6. OPASTCO Benefit Plan, Group No. 656133-10-59, providing traditional

ıy.

'. Security Connecticut Life Insurance Company flexible premium adjustable urance Policy, Policy No. 00798276G for Richard W. Connors, in the amount),000, effective September 1, 1991.

:. Security Connecticut Life Insurance Company flexible premium adjustable urance Policy, Policy No. 00798277D for Patrick Connors, in the amount of 00, effective September 1, 1991.

SCHEDULE 5(e)

OWNED REAL PROPERTY

1. The Company owns the following parcels of land:

   (a) The West Ten (10) feet of Lot three (3) and all of Lot Four (4), of Block three (3), of the Town of Jefferson, Union County, South Dakota;

   (b) The Southerly 75 Feet of Lot Eight (8), in Block Three (3), of the Original Townsite of Jefferson, South Dakota, being a rectangular tract the Southerly boundary being North Railroad Street and the Westerly boundary, Fourth Street in said Town of Jefferson, subject to easements and right of ways now existing of record; and

   (c) The Easterly Thirty (30) feet of Lot Five (5) of Block Three (3) of the original Town of Jefferson, Union County, South Dakota.

SCHEDULE 6(c)(iii)

REQUIRED CONSENTS AND APPROVALS

1. South Dakota Public Utilities Commission.

#224365

Certificate of Service

I hereby certify that an original and eleven copies of the above and foregoing Joint Application filed on behalf of Jefferson Telephone Co. and Jefferson Communications, LLC, and the Request for Confidential Treatment of Information filed on behalf of Jefferson Communications, LLC were sent via Federal Express on the 22nd day of September, 1997, 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 deposited into the United States Mail, postage prepaid, addressed 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 or United States Mail, postage prepaid, to the persons on the attached list.

Jean J. Hunsinger

Jean J. Hunsinger

Richard W. Connors
President
Jefferson Telephone Co.
P O Box 128
Jefferson, SD 57038

Paul Bergmann
Long Lines, Ltd.
600 Stevens Port Drive, #150
Dakota Dunes, SD 57049

RECEIVED

SEP 23 1997

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE SALE OF THE	)	TC97-
STOCK OF JEFFERSON TELEPHONE CO.	)	
TO JEFFERSON COMMUNICATIONS, LLC	)	

REQUEST FOR CONFIDENTIAL TREATMENT OF INFORMATION

Pursuant to ARSD 20:10:01:41, Jefferson Communications, LLC ("Jefferson Communications"), through its undersigned attorney, Michael J. Bradley, requests that the attached original and eleven copies of page 1 of the Stock Purchase Agreement, 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, Jefferson Communications states as follows:

1. The document in the attached sealed envelope is page 1 from the Stock Purchase Agreement between Jefferson Communications and the current stockholders of Jefferson Telephone Co. This page contains the agreed upon purchase price for the stock of Jefferson Telephone Co.

2. The length of time for which confidentiality is being requested is ten years.

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

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

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

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

6. Accordingly, Jefferson Communications requests that confidential protection be afforded to the attached documents.

Dated: September 22, 1997

Respectfully submitted,

By Michael J. Bradley
Michael J. Bradley

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

Attorneys on Behalf of Jefferson Communications, LLC

STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT dated as of August 27th, 1997, among **RICHARD W. CONNORS, SHERYL K. CONNORS, VIRGINIA L. CONNORS,** and **PATRICK T. CONNORS** (each a "Seller" and collectively the "Sellers"), and **JEFFERSON COMMUNICATIONS, L.L.C.** ("Buyer").

PRELIMINARY STATEMENT

A. Sellers own 100% of the issued and outstanding capital stock of JEFFERSON TELEPHONE CO., INC., a South Dakota corporation (the "Company"), which Company is engaged in the business of providing local exchange telephone services in the area of Jefferson, South Dakota (the "Business").

B. Sellers desire to sell to Buyer, and Buyer desires to purchase from Sellers, all of the issued and outstanding capital stock of the Company, on the terms and conditions set forth herein.

C. The Company owns stock interests in Jefferson Cellular, Inc., a Colorado corporation ("JCI"), and in Eastern South Dakota Cellular, Inc., a South Dakota corporation ("ESDC"; JCI and ESDC, and any other entities directly or indirectly, wholly or partially, owned by the Company are each referred to herein as a "Subsidiary" and collectively as the "Subsidiaries").

D. Certain terms used herein are defined in Section 11(g) below.

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

AGREEMENT

1. Agreement to Purchase and Sell. At the Closing (as defined below), Sellers shall sell to Buyer, and Buyer shall purchase from Sellers, all of the issued and outstanding shares of capital stock of the Company (the "Shares"), free and clear of all liens, interests, encumbrances or restrictions of any kind or nature whatsoever.

2. Purchase Price.

(a) Purchase Price. The aggregate purchase price for the Shares (the "Purchase Price") shall be $3,500,000 less the fair market value of the excluded assets shown as items 3-6 on Schedule 3(f), which sum shall be payable in cash at Closing to the Sellers in proportion to their ownership of the Shares, as set forth on Exhibit A attached hereto.

(b) Post Closing. Buyer and Sellers acknowledge that as of December 31, 1996, the Company's balance sheet, (the "December Balance Sheet"), reflected "Retained Earnings" of $757,569 (the "Retained Earnings"). Buyer agrees that it will pay Sellers the amount of earnings realized by the Company from December 31, 1996, to the date of Closing, including an amount equal to the unrealized gain during such period on the 2,300 shares of common stock of CommNet Cellular, Inc. owned by the Company, which earnings shall be determined in a manner mutually agreeable to Buyer and Sellers. If Buyer and Sellers cannot determine the Company's pre-closing 1997 earnings in a mutually agreeable manner, the following procedure shall be implemented:

Within ninety (90) days after the Closing Date, Buyer and the Sellers shall prepare a balance sheet for the Company as of the close of business on the Closing Date (the "Closing Balance Sheet"), which shall be mutually acceptable to the Sellers and Buyer and their respective independent public accountants. The Closing Balance Sheet shall be prepared in accordance with GAAP and consistent with the Company's past practices. The amount of the Purchase Price shall be increased or decreased, as the case may be, by the

TC97-159

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
WRITER'S DIRECT DIAL NUMBER
347-0337
WRITER'S E-MAIL ADDRESS
BradleyM@moss-barnett.com

November 7, 1997

RECEIVED
NOV 10 1997
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

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

Re: In the Matter of the Sale of the Stock of Jefferson Telephone Co. to Jefferson Communications, LLC

Dear Mr. Bullard:

Enclosed please find an original and eleven copies of the Prefiled Direct Testimony of James McKenna in support of the Joint Application filed on behalf of Jefferson Telephone Co. and Jefferson Communications, LLC on September 22, 1997, 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
132458/2%7#01!.DOC

MOSS & BARNETT
1896
Attorneys at Law

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE SALE OF THE STOCK OF JEFFERSON TELEPHONE CO. TO JEFFERSON COMMUNICATIONS, LLC	)))	TC97-159

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SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

PREFILED DIRECT TESTIMONY OF

JAMES McKENNA

EXHIBIT
2

Q. Please state your name and business address.

A. James McKenna, One River Place, 600 Stevens Port Drive, Suite 150, Dakota Dunes, South Dakota 57049-5149.

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

A. I am Executive Vice President and Chief Telecommunications Officer of Long Lines, Ltd., which owns 100 percent of the stock of Jefferson Communications, LLC ("Jefferson Communications"), the purchaser of Jefferson Telephone Co.

Q. What is your educational and professional background?

A. I obtained a Bachelor of Science degree in Business Administration from Wayne State College, Nebraska, in 1979. I have been employed in the telecommunications industry since 1970. My responsibilities have ranged from being a telecommunications technician with the United States Air Force, and later with Northwest Iowa Telephone Company, for eight years. I was the Central Office Supervisor for five years with Northwest Iowa Telephone Company. I have been the President and General Manager of Northwest Iowa Telephone Company since 1983. A more detailed resume is contained on Attachment B.

Q. What is the purpose of your testimony?

A. To provide the factual information needed by the South Dakota Public Utilities Commission ("Commission"), pursuant to SDCL 49-31-59, to evaluate Jefferson Communications' request for Commission approval of its stock purchase of Jefferson Telephone Co.

Q. Please describe Long Lines, Ltd.'s current local telecommunications operations.

A. Attachment A to my testimony is an Organizational Chart showing the divisions and subsidiaries of Long Lines, Ltd. Of those, the following provide telecommunications services:

Northwest Iowa Telephone Company ("NWI"): NWI is an independent telephone company which began operations in 1941 serving the towns of Sergeant Bluff, Salix and Sloan in Iowa. NWI is a provider of local telephone service, fiber optic circuits, Centrex service, ISDN service, voice mail, and cable television. NWI has 20 employees and will provide engineering, switching, billing, managerial, accounting and outside plant support to Jefferson Telephone Co. NWI is located only 22 miles from Jefferson Telephone Co.

Excel Security, Inc.: Excel Security, Inc. is a full-service security company that designs, installs, services, and monitors both residential and commercial security, fire alarm, closed circuit television, and access control systems. Excel's central monitoring station is equipped with the most technologically advanced monitoring equipment and trained professionals.

Pioneer Holding: Pioneer, a partnership between Long Lines, Ltd., Northwest Iowa Power Cooperative and MCI, is committed to bringing competitive local telephone service, internet and high-speed internet access, cable television and other modern communications services to rural America. Pioneer's background support and services help to strengthen the unique relationship local providers have with their customers in towns and rural communities. This makes Pioneer's efforts unique in the telecommunications industry. The communication networks designed by Pioneer and its partners allow the communities being served to be competitive on a global scale.

SiouxLAN.com: SiouxLAN.com, Siouxland's first commercial Internet Server, provides a wide variety of information on current events and government, and gives area businesses the ability to market their products and services on the internet.

Q. Please describe Jefferson Telephone Co.

A. Jefferson Telephone Co. is a family-owned, independent telephone company serving the residents of Jefferson and the surrounding area. Jefferson is situated in the southeast corner of South Dakota just east of Interstate 29 on South Dakota Highway 105. The Company serves approximately 550 access lines. Jefferson Telephone Co. does not have existing extended area service to any other communities. The Company is using a DMS-10 switch. The two existing Jefferson Telephone Co. employees will be retained to provide local repair and maintenance services.

THE IMPACT OF THE SALE ON RATES

Q. Will the sale result in a rate increase for customers of Jefferson Telephone Co.?

A. No. The sale will not cause rates to increase, and no rate design changes are contemplated. In addition, Jefferson Communications agrees not to increase rates or change rate design, except in response to a Commission Order or to reflect a change in local tax rates on a flow through basis, for a period of 18 months from the date of the closing.

Q. What switched access rates will be charged to interexchange toll carriers, and what is the basis for these rates?

A. The existing switched access rates will not change as a result of this sale. Rates will only change if the Commission orders a change pursuant to its ongoing regulation of switched access rates.

THE IMPACT OF THE SALE ON SERVICES

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

A. All services currently provided by Jefferson Telephone Co. will continue to be available after the sale. Within six months of the closing, switch changes will be made that will permit Jefferson Telephone Co. to offer state-of-the art services, including ISDN, all CLASS services, and voice mail.

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

A. Yes. While the only school in Jefferson is scheduled to be closed, we are committed to working with the school administration and health organizations to meet all of their communications needs, including distance learning and tele-medicine. NWI has extensive experience in providing distance learning.

Q. Will emergency services be affected by the sale?

A. No. We will continue existing E911 services and will work with the county whenever its needs change. We will also provide the county with accurate data for its data bases.

Q. Will customers of Jefferson Telephone Co. have local access to the internet using local calling?

A. Yes. Customers may have local access to Pioneer Internet, an affiliate of Jefferson Communications.

FACILITIES

Q. Are switching or other facility changes currently contemplated?

A. Yes. Within six months of the close of the sale, a remote DMS-100 will be installed, which will home off of NWI's host DMS-100 located in Sergeant Bluff, Iowa. Installation of this remote switch will significantly increase Jefferson Telephone Co.'s ability to offer state-of-the-art services. We will also install alternative toll routing facilities to reduce the risk that a fiber cut would interfere with interexchange calling. We are in the process of evaluating the existing outside plant and will replace any facilities that do not meet current engineering standards. The Company will, of course, repair and replace facilities as needed and will upgrade its facilities when needed to provide new services to the customers. We have budgeted $450,000 in the first three years on facility upgrades and maintenance.

CUSTOMER SERVICES AND REPAIRS

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

A. The customers should not notice any change in customer services and repairs. First, Jefferson Telephone Co.'s employees will be retained and continue to operate out of the Jefferson central office. Second, those employees will have access to the back-up support, as necessary, from NWI, located only 22 miles away. Third, customers will continue to be able to make service and billing inquiries by calling a local telephone number.

ECONOMIC DEVELOPMENT

Q. How will the stock purchase affect economic development?

A. It should have a positive impact. First, we will provide state-of-the-art services, allowing Jefferson to compete for new businesses and to retain existing businesses Second, Jefferson Communications is very aware of the importance of economic development to the communities it serves, and we pledge to support local economic development efforts.

UNIVERSAL SERVICE FUND IMPACT

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

A. Because this is a stock sale, it will have no impact on the Company's Study Area and, therefore, no impact on the universal service fund.

TAX CONSEQUENCES

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

A. None. Jefferson Telephone Co. is currently an independent telephone company subject to gross receipts tax and will continue to operate as an independent telephone company after the sale. In addition, exiting services will be continued using the existing rates, therefore, the gross receipts tax revenues to the school district are not expected to change.

MANAGERIAL QUALIFICATION

Q. How will the stock sale change the management of Jefferson Telephone Co.

A. I will be the President of Jefferson Communications. As previously stated, my resume is contained in Attachment B.

JEFFERSON COMMUNICATIONS' FINANCIAL QUALIFICATIONS

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

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

Q. How will Jefferson Communications finance this acquisition?

A. Jefferson Communications will borrow approximately $2,625,00. The balance will be financed through capital provided to Jefferson Communications by Long Lines, Ltd.

FCC APPROVAL IS NOT REQUIRED

Q. Is FCC approval of this stock sale required?

A. No.

CONCLUSION

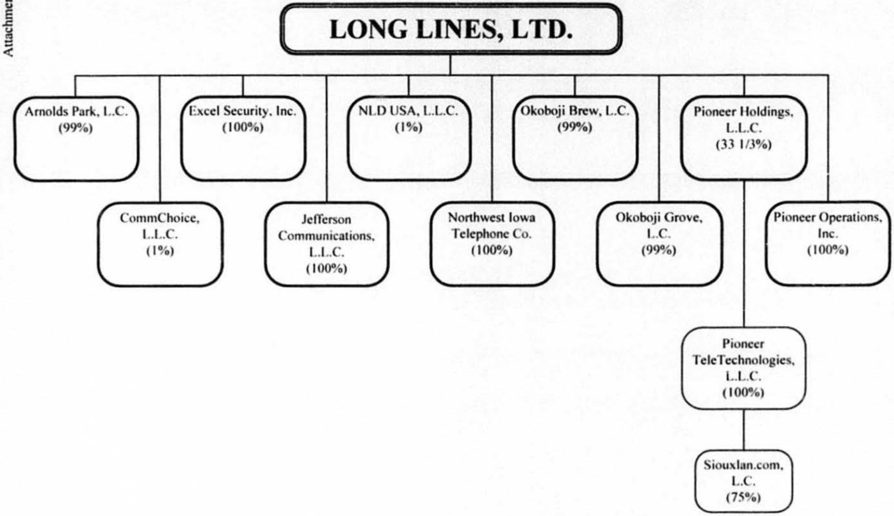
Q. In your opinion, is this purchase in the public interest?

A. Yes. Jefferson Telephone Co. will be a subsidiary of a company (Long Lines, Ltd.) with more diverse telephone holdings and economic strength than the current owners of the Company. Consequently, we will be better positioned to help the Company succeed in the changing environment faced by local telephone companies. The new management of the Company will also have access to broader expertise than the current management of the Company. Rates will not increase as a result of the sale. All existing services will be retained, and new state-of-art services will quickly become available. Service questions will continue to be handled locally. The Company will also be a strong participant in local economic development projects, distance learning, tele-medicine, and whatever other services are needed to make Jefferson a strong and viable community.

Q. Does this conclude your testimony?

A. Yes

Attachment A



09/17/97

JAMES J. MCKENNA
PRESIDENT
NORTHWEST IOWA TELEPHONE COMPANY

Jim's career spans the entire gamut of the telecommunications industry; from his experience in the U.S. Military with handling and supervising operator services to today's responsibility for the direct management of our Northwest Iowa Telephone Company. Jim's technical knowledge, as well as his management skills, brings to Long Lines, Ltd., the professionalism and expertise to round out our overall management team. It should not be overlooked that Jim McKenna was the individual who discovered the Equal Access capability for MCI back in 1981.

Employment History

1983 - Present	President and General Manager Northwest Iowa Telephone Company
1978 - 1983	Control Office Supervisor Northwest Iowa Telephone Company
1973 - 1978	Combination Technician Northwest Iowa Telephone Company
1970 - 1973	Telecommunications Technician United States Air Force

Education

Wayne State College - Wayne, Nebraska - 1979
Bachelor of Science Degree - Business Administration

Civic Activities

Westwood Community School Board - Sloan, Iowa
City of Salix, Iowa - City Council - 1979 to 1986
City of Salix, Iowa - Fire & Rescue Dept. - 1974 to Present

<u>Certificate of Service</u>

I hereby certify that an original and eleven copies of the above and foregoing Prefiled Direct Testimony of James McKenna in support of the Joint Application filed on behalf of Jefferson Telephone Co. and Jefferson Communications, LLC were sent via Federal Express on the 7th day of November, 1997, 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 deposited into the United States Mail, postage prepaid, addressed 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 or United States Mail, postage prepaid, to the persons on the attached list.

Jean J. Hunsinger

Jean J. Hunsinger

Richard W. Connors
President
Jefferson Telephone Co.
P O Box 128
Jefferson, SD 57038

Paul Bergmann
Long Lines, Ltd.
600 Stevens Port Drive, #150
Dakota Dunes, SD 57049

James McKenna
Northwest Iowa Telephone Company
504 Fourth Street
Sergeant Bluff, IA 51054

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

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SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

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

WRITER'S DIRECT DIAL NUMBER

347-0337

WRITER'S E-MAIL ADDRESS

BradleyM@moss-barnett.com

November 11, 1997

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

Re: In the Matter of the Sale of the Stock of Jefferson Telephone Co. to Jefferson Communications, LLC
Docket No. TC97-159

Dear Mr. Bullard:

Enclosed please find an original and eleven copies of the Request for Confidential Treatment of Information and the Proprietary Pro Forma Financial Projections filed on behalf of Jefferson Communications, LLC in the above entitled Docket. These documents are an Exhibit to the Prefiled Testimony of James McKenna, which was mailed on November 7, 1997.

Also enclosed is a Nonproprietary exhibit showing the Capital Expenditure Projection for the first three years of operation. This is also an Exhibit to James McKenna's Testimony.

This matter is now ready for consideration by the Commission. The only information missing is a commitment letter for the contemplated loan. That letter should be available by the time the hearing required by SDCL 49-31-59 is conducted.

MOSS & BARNETT
A PROFESSIONAL ASSOCIATION

William Bullard
November 11, 1997
Page 2

As was noted in the September 22, 1997 Joint Application, the parties hope to close the stock sale by December 31, 1997. Therefore, the parties respectfully request the Commission' assistance in scheduling the necessary proceedings to make that possible.

Very truly yours,

MOSS & BARNETT
A Professional Association

Michael J. Bradley

Michael J. Bradley

MJB/jjh
Enclosures
cc: Rolayne Wiest
Paul Bergmann
Steven Maun w/o enclosures
Richard W. Connors w/o enclosures
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NOV 12 1997
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE SALE OF THE	)	TC97-159
STOCK OF JEFFERSON TELEPHONE CO.	)	
TO JEFFERSON COMMUNICATIONS, LLC	)	

REQUEST FOR CONFIDENTIAL TREATMENT OF INFORMATION

Pursuant to ARSD 20:10:01:41, Jefferson Communications, LLC ("Jefferson Communications"), through its undersigned attorney, Michael J. Bradley, requests that the attached original and eleven copies of the Proforma Balance Sheet, Proforma Statement of Income and Capital Expenditure Projection, 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, Jefferson Communications states as follows:

1. The documents in the attached sealed envelope are entitled as follows:

Jefferson Telephone Company, Inc. Proforma Balance Sheet;
Jefferson Telephone Company, Inc. Proforma Statement of Income; and
Jefferson Telephone Company Capital Expenditure Projection

The pro forma contains the forecasted income statement, cash flow statement, and balance sheet for Jefferson Telephone Co., for the years 1998 through 2000, and should be treated as confidential for the protection of Jefferson Communications.

2. The length of time for which confidentiality is being requested is five years.

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

EXHIBIT
3

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

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

5. Telephone companies have always treated this type of information 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 forma is not a matter of public interest; it is strictly confidential and private information.

6. Accordingly, Jefferson Communications requests that confidential protection be afforded to the attached documents.

Dated: November 11, 1997

Respectfully submitted,

By Michael J. Bradley
Michael J. Bradley

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

Attorneys on Behalf of Jefferson
Communications, LLC

CONFIDENTIAL

1

RESPONSES TO THE REQUESTS FOR INFORMATION

1. Please provide a list of all owners and employees currently involved in the operation of Jefferson Telephone Co. and a brief description of their duties and responsibilities. Please also provide the corresponding employees or owners that will assume these duties and responsibilities upon consummation of the Sale of Stock and a brief description of their qualifications.

Response:

Current Employees

Richard Connors	Manager/Accountant
Patrick Connors	Central Office and Outside Plant Manager & Technician
Sheryl Connors	Part time secretary (4 to 8 hours per week)
Tom Connors	Technician, customer service
Ann Bowden	Part time bookkeeper
Kevin Connors	Seasonal employee

Employees After the Sale

Same as above except that James McKenna will replace Richard Connors as the Manager of the Company. Jim McKenna's qualifications are described in his testimony. Richard Connors will be available on a consulting basis. Sheryl Connors will also resign.

2. Please provide a copy of all existing rates of Jefferson Telephone Co.

Response:

City Residence	$ 7.50
City Business	$13.50
Rural Residence	$10.00
Rural Business	$17.50

Custom Calling Features (Digitone, call waiting, call forwarding, 3-way calling, 8 speed dial, 30 speed dial)

1 feature	$1.00
2 features	$1.50
3 features	$2.00
4 features	$2.25
5 features	$2.50

EXHIBIT
4

Residential installation	$17.50
Business installation	$18.75
Trip charge	$ 8.25

3. Is local internet access now available to the customers in the affected exchange?

Response:

Yes. Jefferson Telephone Co. provides local internet access through 56 K-frame relay in agreement with Cybernex, Inc. of Sioux Falls for $24.95 per month for unlimited usage. After the sale, customers will gain local access to an additional internet provider, Pioneer Internet, at $24.50 per month for unlimited usage, $22.95 per month for unlimited usage with a 13 month contract, and $9.95 per month for 10 hours with an additional charge for usage in excess of 10 hours.

4. Please provide a copy of the most recent available balance sheet and income statement for Long Lines, Ltd.

Response:

See attached Proprietary response.

5. Please provide a list of all, if any, complaint proceedings brought against Northwest Iowa Telephone Co. before a State Regulatory Agency in the State of Iowa regarding the provisioning or telecommunications service since 1/1/93, a brief description of the complaints and the results of the proceedings.

Response:

Two complaints have been filed with the Iowa Utilities Board concerning Northwestern Iowa Telephone Co. ("NWI") since 1993. Both involved the disconnection of service for nonpayment of local service. Attached is a copy of the correspondence that NWI was able to locate related to those two matters. In neither case was NWI found to have acted improperly.

6. Please describe how Jefferson Communications, LLC's purchase is consistent with and furthers the purposes and directives of SDCL 49-31-60 thru 49-31-68.

Response:

Jefferson Communications, LLC's purchase is consistent with and furthers the purposes and directives of SDCL 49-31-60 through 49-31-68 in several respects. Those provisions seek to ensure "that all the citizens of South Dakota realize the advantages of the forth coming information age, including economic development, educational opportunities, a heightened level of medical care, and better, more efficient services from all levels of government." As the testimony of James McKenna indicates, Jefferson Communications, LLC is committed to working with the community to promote economic development. More directly, as a result of the sale, Jefferson Telephone Co. will provide state-of-the-art services, allowing Jefferson to compete for new businesses and retain existing businesses. Jefferson Communications has also pledged to work with the school administration and health organizations "to meet all of their communications needs, including distance learning and tele-medicine."

In addition, within six months of the closing, switch changes will be made that will permit Jefferson Telephone Co. to offer state-of-the-art services, including ISDN, all CLASS services and voice mail. Thus, the sale will assist the Company in meeting the narrowband requirements of the referenced provisions.

Further, within six months of the close of the sale, a remote DMS-100 will be installed, which will home off of a host DMS-100 operated by an affiliate, Northwestern Iowa Telephone Co. The Company will also install alternative toll routing facilities to reduce the risk that a fiber cut would interfere with interexchange calling. All of these features are the types of improvements encouraged by the referenced statutory provisions.

In the absence of the sale, it is doubtful that these types of improvements would occur in the near future.

For all of these reasons, approval of the stock sale is consistent with the "purposes and directives" of Sections 49-31-60 through 49-31-68, inclusive.

VERIFICATION

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

____

Paul Bergmann

SWORN TO BEFORE ME this
___ day of ____________, 1997

____

NOTARY PUBLIC

NEXT

DOCUMENT (S)

DISREGARD

BACKGROUND

AFFIDAVIT OF PUBLICATION

State of South Dakota)
:ss
County of Union)

RECEIVED

DEC 17 1997

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Bruce L. Odson

the publisher of the Leader-Courier, deposes and says that

The Leader-Courier

is a legal weekly newspaper of a general circulation, printed and published in Elk Point, County of Union, State of South Dakota, and that has been such legal newspaper during the time hereinafter mentioned, and that affiant is and was during all the time hereinafter mentioned in charge of the advertising department thereof, and has personal knowledge of all the facts stated in this affidavit; and that the notice and advertisement headed

Order for and Notice of Hearing

and Procedural Schedule TC97-159

a printed copy of which is hereunto attached and made a part hereof, was printed and published in the said newspaper at least once in each week for 1 successive weeks; that said newspaper at the time of the first publication of said notice hereinafter stated, had, and still has, a bona fide circulation of over two hundred paid copies weekly, and had been published in the said County of Union for more than one year immediately prior to the date of the said publication of said notice, and that said newspaper during said times, was, and is, printed in part in an office maintained at said city of Elk Point, the said place of publication; that the first publication of said notice in said newspaper as

The first publication being made on Thursday, the 27 day of November 19 97, and that the succeeding publications were

on Thursday, the ____ day of ____________, 19 ____

on Thursday, the ____ day of ____________, 19 ____

on Thursday, the ____ day of ____________, 19 ____

on Thursday, the ____ day of ____________, 19 ____

on Thursday, the ____ day of ____________, 19 ____

that the fees for the printing and publishing of said notice and advertisement in said newspaper as aforesaid were 38.38, that the full amount of the fee charged insures to the benefit of the publisher of the said newspaper, that no agreement or understanding for the division thereof has been made with any other person and that no part thereof has been agreed to be paid to any other person whomsever.

Subscribed and sworn to before me this 30 day of November 19 97

My commission expires 3-22-04

Notary Public

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

ORDER FOR AND NOTICE OF HEARING AND PROCEDURAL SCHEDULE TC97-159

IN THE MATTER OF THE SALE OF THE STOCK OF JEFFERSON TELEPHONE CO. TO JEFFERSON COMMUNICATIONS, LLC.

On September 23, 1997, the Commission received a joint application from Jefferson Telephone Co. and Jefferson Communications, LLC, collectively referred to as Applicants. The Applicants jointly applied to the Commission for approval of the sale of the stock of Jefferson Telephone Co. to Jefferson Communications, Inc.

On September 25, 1997, the Commission electronically transmitted notice of the filing and the intervention deadline of October 10, 1997, to interested individuals and entities. No parties have sought intervention in this docket.

On October 10, 1997, Commission staff filed a resistance to Jefferson Communications' request that the purchase price of the exchange be afforded confidential treatment on the grounds that Jefferson Communications has not shown entitlement to such treatment as a matter of law and further upon the grounds that the public is entitled to such information concerning public utilities.

The Commission has jurisdiction in this matter pursuant to SDCL Chapters 1-26 and 49-31, including but not limited to SDCL 49-31-59, and ARSD Chapter 20:10:01. The Commission may rely upon any or all of these or other laws of this state in making its determination.

A hearing on this application will begin at 2:30 p.m. on December 4, 1997, at the Jefferson Community Center, Jefferson, South Dakota, for the consideration of this matter.

The issues at the hearing are:

1. Is the purchase price of the exchange confidential and therefore not subject to disclosure to the public?

2. Whether the sale of the stock of Jefferson Telephone Co. to Jefferson Communications 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) Applicant and (2) Staff.

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 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 rule that the purchase price of the telephone exchange which is the subject of this docket shall be disclosed to the public and it may either approve or reject the application. 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 (1) Commission staff's motion regarding confidentiality of the purchase price and (2) this joint application for approval of the above referenced telephone exchange within the state of South Dakota at the time and place specified above. It is further

ORDERED that prefiled testimony shall be filed pursuant to the following schedule:

Applicants will file initial testimony on or before November 28, 1997.

Applicants will be allowed to offer rebuttal at the hearing.

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, the 21st day of November 1997.

BY ORDER OF THE COMMISSION

Commissioners Burg, Nelson and Schoenfelder

WILLIAM BULLARD, JR.
Executive Director

Publish November 27, 1997
20-3-125

38.38

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE SALE OF THE STOCK OF JEFFERSON TELEPHONE CO. TO JEFFERSON COMMUNICATIONS, LLC.	))))))	DECISION AND ORDER REGARDING SALE OF THE STOCK OF JEFFERSON TELEPHONE CO.; NOTICE OF ENTRY OF ORDER TC97-159

On September 23, 1997, the Public Utilities Commission (Commission) received a joint application from Jefferson Telephone Co. and Jefferson Communications, LLC, collectively referred to as Applicants. The Applicants jointly applied to the Commission for approval of the sale of the stock of Jefferson Telephone Co. to Jefferson Communications, LLC.

On September 25, 1997, the Commission electronically transmitted notice of the filing and the intervention deadline of October 10, 1997, to interested individuals and entities. No parties have sought intervention in this docket.

On October 10, 1997, Commission staff filed a resistance to Jefferson Communications' request that the purchase price of the exchange be afforded confidential treatment on the grounds that Jefferson Communications has not shown entitlement to such treatment as a matter of law and further upon the grounds that the public is entitled to such information concerning public utilities.

A duly noticed hearing was held in Jefferson, South Dakota, on December 4, 1997, to receive comments from the public. No members of the public attended the hearing. By order dated December 5, 1997, the Commission set a second hearing for this matter for 2:00 P.M., on December 11, 1997, in Room 423, State Capitol, Pierre, South Dakota. The issues at the hearing were: 1) Is the purchase price of the exchange confidential and therefore not subject to disclosure to the public?; 2) Whether the sale of the stock of Jefferson Telephone Co. to Jefferson Communications should be approved?

The hearing was held as scheduled. At the hearing, the Commission ruled that the purchase price was confidential (Commissioner Schoenfelder, dissenting) and unanimously approved the sale of the stock.

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

Jefferson Telephone Co. (Jefferson Telephone) is an independent telephone company located in Jefferson, South Dakota, and serves the Jefferson exchange which has approximately 550 access lines. Exhibit 1.

II

Jefferson Communications, LLC (Jefferson Communications) is a limited liability company with authority to do business in South Dakota. Id. It is a wholly owned subsidiary of Long Lines, Ltd., which also owns Northwest Iowa Telephone Company (NITC). Id. NITC is a local telephone company that offers service to 4,700 access lines and will provide engineering, switching, billing, maintenance, and outside plant support to Jefferson Telephone. Id. NITC is located only 22 miles from Jefferson, South Dakota. Id.

III

Hearings were held in Jefferson, South Dakota on December 4, 1997, and in Pierre, South Dakota, on December 11, 1997. There has been no public opposition to the sale of the stock.

CONFIDENTIALITY OF SALE PRICE

IV

James McKenna, executive vice-president and chief telecommunications officer for Long Lines, stated that disclosure of the purchase price could materially damage Long Lines' financial position with respect to future purchases because the price would be considered a starting price for similar properties instead of a cap. Tr. at 17-18. He further testified that the purchase price has independent economic value to his company and the company has taken reasonable efforts to keep the purchase price confidential. Tr. at 19.

V

Mr. McKenna also noted that there was no relationship between the purchase price and future rates due to the Commission's condition in other sales that the acquisition adjustment cannot be recovered through a company's local or regulated rates. Tr. at 20-21. He also stated that since the purchase price includes both the telephone company and the cellular interest, the disclosure of the purchase price will not reveal the actual purchase price of Jefferson Telephone. Tr. at 22.

VI

The Commission finds that the purchase price shall be kept confidential. Jefferson Communications has shown that disclosure would result in material damage to its financial and competitive position.

ADEQUACY OF LOCAL TELEPHONE SERVICE

VII

Jefferson Communications will honor all existing contracts, commitments, leases, and other arrangements and will not eliminate any services currently provided by Jefferson Telephone. Tr. at 37-39.

VIII

Jefferson Communications will retain some of Jefferson Telephone's employees who will continue to operate out of the Jefferson central office. Exhibit 2 at page 5. In addition, these employees will have access to back-up support from NITC, which is located 22 miles away. Id. Customers will continue to make service and billing inquires by calling a local telephone number. Id. at pages 5-6.

REASONABLENESS OF RATES

IX

Jefferson Telephone's current local rates range from $7.50 to $17.50. Exhibit A. Jefferson Communications has no plans to increase the existing rates. Tr. at 38.

PUBLIC SAFETY ISSUES

X

At this time Jefferson Telephone currently provides fire bar service. Tr. at 40. Union County has not yet instituted 911 service. Id. Jefferson Communications will be able to provide 911 and E911 services when the county requires the service. TR. at 40-41.

ABILITY OF THE BUYER TO PROVIDE SERVICE

XI

Jefferson Communications is fit, willing, and able to purchase and thereafter operate, maintain, and upgrade to the level required by the Commission the facilities of the Jefferson exchange. Tr. at 41; Exhibit 3.

XII

Jefferson Communications has the ability to obtain capital and the incentive to invest in the Jefferson Exchange. Exhibit 3. Jefferson Communications will invest $450,000 to upgrade from the current DMS 10 switch and will provide for alternative toll routing for long distance service. Tr. at 39. Customers will then be able to receive CLASS services, ISDN, voice mail, and E911 when the county requests it. Tr. at 39-40.

XIII

Jefferson Communications will support local economic development efforts and will offer distance learning and telemedicine services. Exhibit 2 at pages 4 and 6.

PROTECTION OF THE PUBLIC INTEREST

XIV

Jefferson Communications' purchase of the Jefferson exchange is in the public interest of the customers within the exchange for the following reasons:

a. Quality local service will be maintained;

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

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

d. Emergency services will continue to be provided to the Jefferson exchange at the level currently provided and additional emergency services will be offered when the county authorizes those services; and

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

Exhibit 2 at pages 3-7.

TAXES

XV

There will be no changes in the taxes paid as a result of the sale of the stock. Exhibit 2 at page 6.

CONDITIONS OF SALE

I

The Commission shall approve the proposed sale of the stock of the Jefferson Telephone Co. exchange subject to the following conditions:

1. That current local rates not be increased for 18 months from the date Jefferson Communications begins to operate the purchased exchange;

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

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

4. That Jefferson Communications offer, at a minimum, all existing services currently offered by the purchased exchange.

CONCLUSIONS OF LAW

I

The Commission has jurisdiction over the sale of stock of Jefferson Telephone to Jefferson Communications pursuant to SDCL Chapters 1-26 and 49-31, specifically 1-26-17.1, 49-31-3, 49-31-3.1, 49-31-4, 49-31-5.1, 49-31-7, 49-31-7.1, 49-31-11, 49-31-18, 49-31-19, 49-31-20, 49-31-21, 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

Pursuant to ARSD 20:10:01:42, the Commission finds that the purchase price is confidential because disclosure would result in material damage to Jefferson Communications' financial and competitive position

IV

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 Jefferson Telephone exchange to receive high quality service.

V

Petitioners have satisfied their burden of proof under SDCL Chapter 49-31, specifically 49-31-3, 49-31-3.1, 49-31-4, 49-31-5.1, 49-31-7, 49-31-7.1, 49-31-11, 49-31-18, 49-31-19, 49-31-20, 49-31-2,1 and 49-31-59 for approval of the sale of stock of Jefferson Telephone to Jefferson Communications.

VI

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

VII

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

VIII

Any existing public safety services currently provided will continue.

IX

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

X

The Commission has determined that Jefferson Communications has 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.

XI

The Commission approves the sale of stock of Jefferson Telephone to Jefferson Communications.

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 Jefferson Telephone to Jefferson Communications is approved subject to the Conditions of Sale.

PLEASE TAKE NOTICE that this Decision and Order in Docket TC97-159 was duly entered this 23rd of December, 1997, and filed in the Commission's docket.

Dated at Pierre, South Dakota, this 23rd day of December, 1997.

CERTIFICATE OF SERVICE

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

By: Delaine Kolbo

Date: 12/23/97

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner

Laska Schoenfelder
LASKA SCHOENFELDER, Commissioner
(dissenting on confidentiality price issue)

LAW OFFICES

MOSS & BARNETT

A PROFESSIONAL ASSOCIATION

4800 NORWEST CENTER
90 SOUTH SEVENTH STREET
MINNEAPOLIS, MINNESOTA 55402-4129
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WRITER'S DIRECT DIAL NUMBER
347-0337

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

January 21, 1998

RECEIVED
JAN 23 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: Completion of the Sale of the Stock of Jefferson Telephone Co.
Docket No. TC97-159

Dear Mr. Bullard:

Please be advised that on December 31, 1997, Jefferson Communications, LLC closed on the sale of the stock of Jefferson Telephone Co. and now owns 100% of the Jefferson Telephone Co. stock.

Very truly yours,

MOSS & BARNETT
A Professional Association

Michael J. Bradley

Michael J. Bradley

MJB/jjh
cc: Randy Roos
157586/3DL#01!.DOC

MOSS & BARNETT
1896
Attorneys at Law