

DOCKET NO. _____

In the Matter of —

IN THE MATTER OF THE APPLICATION OF SPLITROCK TELECOM COOPERATIVE, INC. BALTIC TELECOM COOPERATIVE AND EAST PLAINS TELECOM, INC. FOR APPROVAL OF THE SALE, BY MERGER AND DISSOLUTION, OF THE ALCESTER, HUDSON, BALTIC AND CROOKS TELEPHONE EXCHANGES AND FOR APPROVAL OF AN AMENDMENT TO SPLITROCK TELECOM COOPERATIVE, INC.'S CERTIFICATE OF AUTHORITY

Public Utilities Commission of the State of South Dakota

DATE	MEMORANDA
9/18 02	Filed and docketed;
9/19 02	Weekly filings;
10/4 02	Order for and notice of hearing;
10/15 02	Two Affidavits of Publication;
10/28 02	Transcript of hearing held 10/15/02;
11/4 02	Two Affidavits of Publication;
11/12 02	Final Decision and Order approving sale of telephone exchanges through dissolution + merger, notice of Entry of Order;
11/12 02	Docket Closed.
11/15 02	Affidavit of Publication.

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September 16, 2002

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Ms. Deb Elofson
 Executive Director
 South Dakota Public Utilities Commission
 State Capitol Building
 500 East Capitol Avenue
 Pierre, SD 57501-5070

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SOUTH DAKOTA PUBLIC
 UTILITIES COMMISSION

Re: *Application for Approval of a Transfer of Telephone Exchanges and Amended Certificate of Authority In the Matter of the Merger of Baltic Telecom Cooperative with Splitrock Telecom Cooperative and the Dissolution of East Plains Telecom, Inc.*
Our File No. BT-280.17

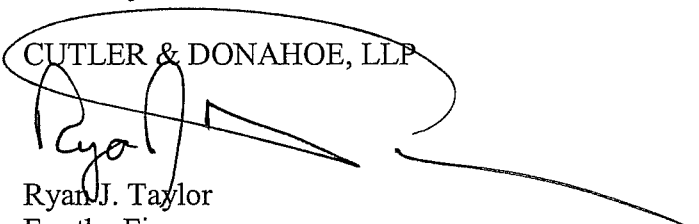
Dear Ms. Elofson:

Please find enclosed for filing one original and eleven copies of the Application for Approval of a Transfer of Telephone Exchanges and Amended Certificate of Authority filed on behalf of Baltic Telecom Cooperative, East Plains Telecom, Inc., and Splitrock Telecom Cooperative, Inc. Please return one file-stamped copy in the enclosed self-addressed stamped envelope. Also please find enclosed a Certificate of Service signed by Brian J. Donahoe. These filings relate to the dissolution of East Plains Telecom, Inc., into its sole shareholder Baltic Telecom Cooperative, and the subsequent merger of Baltic Telecom Cooperative with and into Splitrock Telecom Cooperative, Inc.

If you have any questions regarding these filings or require any clarification or further information, please feel free to contact me at your earliest convenience at (605) 335-4950. Thank you for your assistance and consideration of this matter.

Sincerely,

CUTLER & DONAHOE, LLP


 Ryan J. Taylor
 For the Firm

RJT:sl

Enclosures

cc: Don Snyders
 Army Erickson
 Vince Hanson
 Al Glover, Esq.

SEP 18 2002

BEFORE THE SOUTH DAKOTA
PUBLIC UTILITIES COMMISSION

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE MERGER OF
BALTIC TELECOM COOPERATIVE WITH
SPLITROCK TELECOM COOPERATIVE
AND THE DISSOLUTION OF EAST
PLAINS TELECOM, INC.

DOCKET NO. _____

APPLICATION FOR APPROVAL
OF A TRANSFER OF TELEPHONE
EXCHANGES AND AMENDED
CERTIFICATE OF AUTHORITY

COME NOW, the Applicants, Splitrock Telecom Cooperative, Inc., Baltic Telecom Cooperative, and East Plains Telecom, Inc. by and through their undersigned counsel, and request that the South Dakota Public Utilities Commission (the "Commission") approve the "sale," by merger and dissolution,¹ of the local telephone exchanges serving the Cities of Alcester, Hudson, Baltic, and Crooks, South Dakota and the surrounding areas in the manner set forth in this Application and in the Agreement and Plan of Merger between Splitrock Telecom Cooperative, Inc., Baltic Telecom Cooperative, and East Plains Telecom, Inc., as described herein, and approve an amendment to the Certificate of Authority held by Splitrock Telecom Cooperative, Inc. to permit it to offer local exchange service in those exchanges.

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

¹ The Commission has notified Applicants that it considers the proposed merger and dissolution to be a "Sale" of local telephone exchanges, as that term is used and defined in SDCL § 49-31-59. Applicants wish to specify that no consideration is being paid by any party to either the dissolution of East Plains Telecom, Inc., or the subsequent merger of Baltic Telecom Cooperative and Splitrock Telecom Cooperative, Inc. Applicants specifically state that the proposed merger and dissolution are not "Sales" as such term is used and defined in the Internal Revenue Code of 1986, as amended (the "Code"). The dissolution being a tax-free dissolution of a wholly-owned subsidiary under § 332 of the Code, and the merger being a tax-free reorganization under § 368 of the Code. Hereinafter, the proposed merger and dissolution will be referred to as a "Sale" as defined by SDCL §49-31-59.

1. Applicant Splitrock Telecom Cooperative, Inc. is a South Dakota cooperative headquartered in Garretson, South Dakota (“Splitrock”). Splitrock presently operates two local telephone exchanges having approximately 5,268 access lines in the Cities of Brandon and Garretson, South Dakota and the surrounding areas. Splitrock’s wholly-owned subsidiary, Splitrock Properties, Inc., operates two local telephone exchanges having approximately 1,562 access lines in the Cities of Howard, Oldham, and Ramona, South Dakota and the surrounding areas. Splitrock presently provides enhanced 911 service in all of its local telephone exchanges. In addition to its telephony services, Splitrock offers various other communications services including: (i) high-speed DSL internet access service; (ii) cable television service to approximately 2,525 subscribers in the Cities of Brandon, Garretson, Corson, Sherman, and Howard, South Dakota; and (iii) DBS television service in northeastern Minnehaha County, South Dakota and all of Rock County, Minnesota.

2. Applicant Baltic Telecom Cooperative is a South Dakota cooperative headquartered in Baltic, South Dakota (“Baltic”). Baltic presently operates two local telephone exchanges having approximately 1,889 access lines in the Cities of Baltic and Crooks, South Dakota and the surrounding areas (the “Baltic Exchange” and the “Crooks Exchange,” respectively). Baltic presently provides enhanced 911 service in both of its exchanges. In addition to its telephony services, Baltic offers DBS television service in northwestern Minnehaha County, South Dakota. Baltic is the sole shareholder and parent corporation of East Plains Telecom, Inc.

3. Applicant East Plains Telecom, Inc. is a South Dakota corporation and a wholly-owned subsidiary of Baltic Telecom Cooperative (“East Plains”). East Plains presently operates

two local telephone exchanges having approximately 1,169 access lines in the Cities of Alcester and Hudson, South Dakota (the “Alcester Exchange” and the “Hudson Exchange,” respectively). East Plains acquired these two exchanges from US West Communications, Inc. in 1997 and has operated them since that time. East Plains presently provides enhanced 911 service in the Hudson Exchange and 911 access in the Alcester Exchange². In addition to its telephony services, East Plains also offers high-speed DSL internet access to its own patrons and those of its parent corporation, Baltic Telecom Cooperative.

4. Splitrock and Baltic are currently parties to a Management Agreement, whereby Splitrock provides certain management and administrative services to Baltic on a contract basis. Splitrock’s General Manager, Don Snyders, is the acting General Manager of Baltic. As the parent corporation and sole shareholder of East Plains, Baltic provides all administrative, managerial, and operational services to East Plains on a contract basis.

5. Splitrock, Baltic, and East Plains have entered into an Agreement and Plan of Merger which contemplates the following two transactions:

(i) First, at 12:01 a.m. on January 1, 2003, East Plains will be statutorily dissolved pursuant to the provisions of SDCL Chapter 47-7. At the time of dissolution, all of the assets and liabilities of East Plains will be distributed to its sole shareholder, Baltic. All of the patrons formerly receiving telephone service from East Plains will automatically become members of Baltic when title to East Plains’ telephone plant is transferred to Baltic. As the sole shareholder of East Plains, Baltic has approved its dissolution; and

² East Plains has enhanced 911 equipment in place in Alcester, however, Union County has not yet implemented the enhanced 911 program

(ii) Second, at 12:02 a.m. on January 1, 2003, Baltic will be merged with and into Splitrock pursuant to the provisions of SDCL Chapter 47-18. Upon consummation of the merger, all of the assets and liabilities of Baltic, including those formerly held by East Plains, will become the assets and liabilities of Splitrock. All of the members of Baltic, including the former telephone patrons of East Plains, will become members of Splitrock. Immediately following the merger, Splitrock will change its name to Alliance Communications Cooperative, Inc. The members of Baltic and Splitrock approved the Agreement and Plan of Merger by votes of 174 to 11 and 145 to 3, respectively on August 10, 2002,

(hereinafter the "Plan of Merger"). A copy of the Plan of Merger is attached to this Application as Exhibit A and is hereby incorporated herein by this reference.

6. Prior to the close of business on December 31, 2002, Baltic and Splitrock will allocate their 2002 operating margins and their accumulated non-operating margins to their respective existing members and patrons. Following the merger, the former members of Baltic will automatically become members of Splitrock (to be renamed Alliance Communications Cooperative, Inc.), and the balance of each respective member's capital credit account will be transferred to the books of Splitrock. No member of either Baltic or Splitrock will lose any capital credits or any entitlement thereto as a result of the merger or dissolution.

7. Following the dissolution of East Plains, its former patrons of will automatically become members of Baltic and will immediately thereafter automatically become members of Splitrock along with the existing members of Baltic. The former patrons of East Plains will change

from being customers of a for-profit corporation to members of a cooperative entitled to vote for members of the board of directors of the cooperative and to receive patronage allocations and dividends.

8. The public interest will not be harmed by the dissolution of East Plains or the subsequent merger of Baltic and Splitrock. There will be no discontinuance, reduction, or impairment of any of the services presently offered by any of Splitrock, Baltic, or East Plains to their respective patrons or the public following the dissolution of East Plains into Baltic and the subsequent merger of Baltic with and into Splitrock solely as a result of those transactions. There will be no change in the method of calculating or paying any of the taxes payable to the State of South Dakota which Splitrock, Baltic, and East Plains are currently subject to. Following the merger and dissolution, Splitrock will continue to provide 911 and enhanced 911 services to all of the exchanges presently serviced by Splitrock, Baltic, and East Plains. The Plan of Merger specifically states that there will be no increase in rates to any of the patrons of the three companies involved solely as a result of the dissolution or merger. The Plan of Merger further specifically states that there will be no reduction in the labor force of any of the three companies involved solely as a result of the dissolution or merger. As such, the number of available service technicians will not decrease. Due to their current shared management and administrative functions, there will be no noticeable change in the management or operations of the companies for their patrons other than the service provider's name following the dissolution and merger.

9. Following the merger and dissolution, Alliance Communications Cooperative, Inc. (f/k/a Splitrock) will serve approximately 8,326 access lines in six local telephone exchanges. The

combined entity will realize savings which may be passed on to the consuming public through economies of scale and further consolidation of management functions. As a considerably larger and more financially sound cooperative, the combined entity will also have greater access to credit improving its competitive position and enabling the cooperative to continue to provide modern, stat-of-the-art telecommunications services to rural areas of South Dakota.

WHEREFORE, Applicants respectfully request that the Commission grant as follows:

A. Approval of the sale, as defined by SDCL § 49-31-59, of the Alcester Exchange and Hudson Exchange from East Plains Telecom, Inc. to Baltic Telecom Cooperative in the manner set forth in this Application and the Plan of Merger;

B. Approval of the sale, as defined by SDCL § 49-31-59, of the Alcester Exchange, Hudson Exchange, Baltic Exchange, and Crooks Exchange from Baltic Telecom Cooperative to Splitrock Telecom Cooperative, Inc. (to be renamed Alliance Communications Cooperative, Inc.) in the manner set forth in this Application and the Plan of Merger;

C. Amendment of the Certificates of Authority currently held by Splitrock Telecom Cooperative, Inc. (to be renamed Alliance Communications Cooperative, Inc.) to permit it to provide local telephone exchange service in the Alcester Exchange, Hudson Exchange, Baltic Exchange, and Crooks Exchange on and after January 1, 2003; and

D. Such other relief, consents, or authorizations as the Commission deems necessary or appropriate and in the public interest to consummate the transactions described in this Application.

Dated this 16th day of September, 2002.

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Attorneys at Law



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Cooperative and East Plains Telecom, Inc.

GLOVER HELSPER & RASMUSSEN
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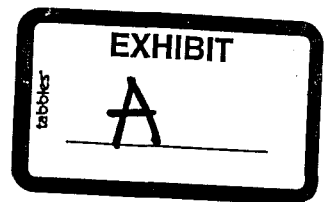
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Attorneys for Applicant Splitrock Telecom
Cooperative, Inc.

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AGREEMENT AND PLAN OF MERGER
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

THIS AGREEMENT AND PLAN OF MERGER (the "Agreement") is made and entered into as of _____, 2002, by and among Splitrock Telecom Cooperative, Inc., a South Dakota cooperative corporation ("Splitrock"), Baltic Telecom Cooperative, a South Dakota cooperative corporation ("Baltic"), and East Plains Telecom, Inc., a South Dakota business corporation and a wholly-owned subsidiary of Baltic ("East Plains"). Certain other terms are used herein as defined below in Article 10 or elsewhere in this Agreement.

RECITALS

A. This Agreement sets forth the terms and conditions under which Baltic will merge with and into Splitrock (the "Merger"). The parties intend that (a) upon completion of the Merger, the separate corporate existence of Baltic shall cease, and (b) for federal income tax purposes, the Merger will constitute a tax-free transaction under Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"). For purposes of this Agreement, Splitrock and Baltic are sometimes referred to herein as the "Constituent Corporations."

B. Pursuant to the Merger, among other things, and subject to the terms and conditions of this Agreement, all of the allocated and unallocated patronage capital of Baltic shall be converted into patronage capital of the Surviving Corporation, subject to the terms and conditions hereinafter provided.

C. The Boards of Directors of both Baltic and Splitrock believe it is in the best interests of both Baltic and Splitrock and their respective members and patrons that Baltic and Splitrock complete a business combination through the merger of Baltic with and into Splitrock and, in furtherance thereof, have approved the Merger, this Agreement, and the transactions contemplated hereby.

D. Following their approval of the Merger, the Boards of Directors of both Baltic and Splitrock have recommended the Merger, as set forth in this Agreement, to their respective members and patrons and have submitted the Merger, as set forth in this Agreement, to a vote of their respective members and patrons for approval.

E. The members and patrons and former members and patrons of Baltic are the sole holders of equity interests in Baltic; and the members and patrons and former members and patrons of Splitrock are the sole holders of equity interests in Splitrock.

F. As a preliminary matter to the Merger, this Agreement sets forth the terms and conditions of the dissolution of East Plains pursuant to the provisions of SDCL Chapter 47-7 (the "Dissolution"), in which East Plains shall transfer substantially all of its assets and assign substantially all of its liabilities to Baltic in complete liquidation just prior to the occurrence of the Merger, as well as, the terms and conditions under which the patrons formerly receiving telephone service from East Plains shall become members of Baltic immediately following the Dissolution. The parties intend that (a) upon completion of the Dissolution, Baltic shall have all requisite power and authority to own and operate the telephone system in the service territory presently assigned to East Plains, and to subsequently transfer such service territory to a

successor by merger or other third party, and (b) for federal income tax purposes, the Dissolution will constitute a tax-free transaction under Section 332 of the Code.

G. Baltic is the sole holder of equity interests in its wholly-owned subsidiary East Plains.

H. Pursuant to the Dissolution, among other things, and subject to the terms and conditions of this Agreement, substantially all of the assets and liabilities of East Plains, as well as, the service territory presently assigned to East Plains, shall be transferred to Baltic and the patrons formerly receiving telephone service from East Plains shall become members of Baltic pursuant to the bylaws of Baltic.

I. The Boards of Directors of both East Plains and Baltic believe it is in the best interests of both East Plains and Baltic and their respective shareholder, members and patrons that East Plains and Baltic complete a business combination through the transfer of substantially all of the assets and the assignment of substantially all of the liabilities of East Plains to Baltic in complete liquidation of East Plains, and in furtherance thereof, have approved the Dissolution, this Agreement, and the transactions contemplated hereby.

J. Following its approval of the Dissolution as set forth in the provisions of this Agreement, the Board of Directors of East Plains has recommended the Dissolution to its sole shareholder, Baltic, and Baltic, as the sole shareholder of East Plains, has approved the Dissolution as set forth in the provisions of this Agreement.

NOW, THEREFORE, in consideration of the covenants, promises, representations and warranties set forth herein, and for other good and valuable consideration, intending to be legally bound hereby, the parties agree as follows:

AGREEMENT

PART I PLAN OF DISSOLUTION OF EAST PLAINS TELECOM, INC.

1. THE DISSOLUTION

1.1 Distribution in Complete Liquidation. East Plains shall close its books as of December 31, 2002, in a manner consistent with past practice. At 12:01 a.m. on January 1, 2003, East Plains shall distribute substantially all of its assets and assign substantially all of its liabilities and obligations to Baltic in complete liquidation of East Plains. Baltic shall accept and acquire all such assets of East Plains distributed to it, subject to all existing Liens, and shall assume all such liabilities and obligations of East Plains, except as such liabilities and obligations may be subject to coverage under existing policies of insurance. The Dissolution shall be conducted in accordance with the provisions and requirements of SDCL Chapter 47-7 and other relevant provisions of the South Dakota Code.

1.2 Dissolution of East Plains. As soon as is practicable following the Closing Date (as hereinafter defined), East Plains shall file with the Secretary of State of the State of South Dakota, articles of dissolution and such other appropriate documents as required by the South Dakota Code. The Dissolution shall become effective at 12:01 a.m. on January 1, 2003, as shall be specified in the articles of dissolution and other filings. Following the effectiveness of the articles of dissolution, East Plains shall be precluded from conducting any business other than that which is necessary to wind up and liquidate its business and affairs as permitted by SDCL § 47-7-6.1. At the direction of the Board of Directors of East Plains, the corporate existence of East Plains shall cease following the conclusion of the winding up and liquidation of its business and affairs.

1.3 Effects of the Dissolution. The Dissolution shall have the effects set forth in the South Dakota Code, and shall specifically cause: (i) the corporate existence of East Plains to cease, as described in Section 1.2 hereof; (ii) the assigned service territory of East Plains, as designated by the South Dakota Public Utilities Commission, to be transferred to Baltic; (iii) the persons and entities presently receiving telephone service within the assigned service territory of East Plains to become members of Baltic in accordance with the bylaws of Baltic; and (iv) all of the right, title, and interest of East Plains in substantially all of its assets, both tangible and intangible, shall be transferred to Baltic, subject to all existing Liens, and all of the liabilities and obligations of East Plains shall be assumed by Baltic, except as such liabilities and obligations are subject to coverage under existing policies of insurance. The transfer of the assets and the assignment and assumption of the liabilities and obligations set forth in this Section 1.3(iv) shall be accomplished as follows:

(a) Contracts: Without specific enumeration, all of the contracts and agreements to which East Plains is a party, and which are reasonably necessary for the continued operation of the business of East Plains by Baltic shall be assigned to Baltic by means of an Assignment and Assumption Agreement, substantially identical in form and substance to that which is attached hereto as Exhibit A and which is hereby incorporated herein by this reference. In conjunction with such assignment and assumption of such contracts and agreements, East Plains shall obtain the consent of all third parties thereto, if such consent is required by the terms of such contract or agreement or pursuant to a requirement of law, as the case may be;

(b) Real Property & Real Property Interests: All of the real property presently owned by East Plains in fee, together with all improvements and structures located thereon, shall be conveyed to Baltic by means of warranty deeds, substantially identical in form and substance to that which is set forth in Exhibit B and which is hereby incorporated herein by this reference. All of the leasehold interests and related easements presently held by East Plains shall be assigned to Baltic by means of an Assignment and Assumption Agreement, substantially identical to that which is attached hereto as Exhibit A. In conjunction with such assignment and assumption of such leases and easements, East Plains shall obtain the consent of all third parties thereto, if such consent is required by the terms of such lease or easement or pursuant to a requirement of law, as the case may be;

(c) Personal Property: All of the equipment, vehicles, inventory, computers, furniture, furnishings, fixtures, and other personal property used in connection with the business of East Plains shall be conveyed to Baltic by means of a Bill of Sale, substantially identical in

form and substance to that which is attached hereto as **Exhibit C** and which is hereby incorporated herein by this reference. In connection therewith, East Plains shall deliver to Baltic all documents evidencing title to such personal property, properly endorsed for transfer;

(d) **Books and Records:** The books, records, customer lists, supplier lists, and other information in East Plains' control or possession relating to, necessary for, or useful in the operation of the business of East Plains shall be delivered into the possession of Baltic and title thereto conveyed by means of a Bill of Sale, substantially identical in form and substance to that which is attached hereto as **Exhibit C**; and

(e) **Licenses, Permits, and Other Authorizations:** To the extent transferable, all licenses, permits, franchises, and governmental authorizations of East Plains held for or used in the operation of the business of East Plains (collectively, the "Permits"), including but not limited to those described in **Schedule 1.3(e)**, shall, to the extent permitted by law, be assigned to Baltic by means of an Assignment and Assumption Agreement substantially identical to that which is attached hereto as **Exhibit A**. In conjunction with such assignment of all such licenses, permits, franchises, and governmental authorizations, East Plains shall obtain the consent of all third parties thereto, if such consent is required by the terms of such licenses, permits, franchises, or governmental authorization or pursuant to a requirement of law, as the case may be.

Without regard to the date of this Agreement or the date on which all requisite approvals have been received, the transfer, assignment, or conveyance of all of the assets described in this **Section 1.3** shall be deemed to occur at 12:01 a.m. on January 1, 2003.

1.4 Directors and Officers. All of the officers and members of the Board of Directors of East Plains prior to the Dissolution shall retain their then existing positions and offices until such time as the business and affairs of East Plains have been wound up and liquidated, at which time, all such officers and directors shall tender their resignations which shall be effective immediately.

1.5 Retained Earnings and Equity of East Plains and Baltic. The former patrons of East Plains shall have no ownership interest or claim in, either equitable or otherwise, the patronage capital or members' equity of Baltic, whether allocated or unallocated, operating or non-operating, as such patronage capital or members' equity relates to any period prior to the effectiveness of the Dissolution. Nor shall the former patrons of East Plains have any ownership interest or claim in the retained earnings, paid in capital or other shareholder's equity of East Plains as such retained earnings, paid in capital or other shareholder's equity relates to any period prior to the effectiveness of the Dissolution.

1.6 Condition Precedent. Notwithstanding any other provision contained herein to the contrary, the effectiveness of the Dissolution shall be conditioned upon the occurrence of the Closing of the Merger, as defined in **Section 5.1** hereof. In the event the Closing of the Merger does not occur as contemplated by the provisions of this Agreement, then the provisions of this Article 1 and the Dissolution shall be without further force or effect.

2. REPRESENTATIONS, WARRANTIES, AND COVENANTS OF EAST PLAINS

As of the date hereof and as of the date of the effectiveness of the Dissolution, East Plains does and shall represent, warrant, and covenant to Baltic as follows:

2.1 Organization, Powers and Qualifications. East Plains is a corporation duly organized, validly existing and in good standing under the laws of the State of South Dakota, and has no subsidiaries. East Plains has all requisite corporate power and authority to carry on its business as it is now being conducted and to own, lease and operate the properties and assets used in connection therewith, and is duly qualified as a foreign corporation authorized to do business and is in good standing in every jurisdiction in which such qualification is required, all of which jurisdictions are disclosed on Schedule 6.2(a) hereto, except where the failure to be so qualified would not have a Company Material Adverse Effect.

2.2 Authority; Binding Effect. East Plains has all requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. All necessary action, corporate or otherwise, required to have been taken by or on behalf of it by applicable law, its Charter Documents or otherwise to authorize (i) the approval, execution and delivery on its behalf of this Agreement and (ii) its performance of its obligations under this Agreement and the consummation of the transactions contemplated hereby have been taken. This Agreement constitutes East Plains' valid and binding agreement, enforceable against it in accordance with its terms, except (A) as the same may be limited by applicable bankruptcy, insolvency, moratorium or similar laws of general application relating to or affecting creditors' rights, including without limitation, the effect of statutory or other laws regarding fraudulent conveyances and preferential transfers, and (B) for the limitations imposed by general principles of equity.

2.3 No Conflict; Approvals. Except as set forth on Schedule 2.3, the execution and delivery of this Agreement does not, and the consummation of the transactions contemplated hereby will not, (a) violate or conflict with East Plains' Articles of Incorporation or bylaws or (b) constitute a breach or default (or an event that with notice or lapse of time or both would become a breach or default) or give rise to any lien, third party right of termination, cancellation, material modification or acceleration, or loss of any benefit, under any Contract to which East Plains is a party or by which it is bound, or (c) subject to the consents, approvals, orders, authorizations, filings, declarations and registrations specified in Section 2.4 or in Schedule 2.3 conflict with or result in a violation of any permit, license or any law, rule or regulation applicable to East Plains or any of its properties or assets, except, in the case of clauses (b) and (c), for any such breaches, defaults, liens, third party rights, cancellations, modifications, accelerations or losses of benefits, conflicts or violations which would not have a Company Material Adverse Effect and would not impair the ability of East Plains to perform its obligations under this Agreement or prevent or delay the consummation of any of the transactions contemplated hereby.

2.4 Governmental Consents and Approvals. Except as set forth in Schedule 2.4, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will require any Authorization or filing with or notification to, any local, state, federal or foreign court, administrative agency, commission or other governmental or regulatory authority, agency or instrumentality ("Governmental Entity"), except (a) the filings

with and consents or approvals of the state public service commissions, public utility commissions, federal, state, local, or quasi-governmental agencies, departments, or creditors, or similar state regulatory bodies ("Public Utility Commission") which are disclosed on Schedule 2.4, (b) the filing and recording of the Articles of Dissolution in accordance with the South Dakota Code, and (c) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not prevent it from performing its obligations under this Agreement without having a Company Material Adverse Effect.

PART II
AGREEMENT AND PLAN OF MERGER
OF
BALTIC TELECOM COOPERATIVE
AND
SPLITROCK TELECOM COOPERATIVE, INC.

3. THE MERGER

3.1 The Merger. At the Effective Time and upon the terms and subject to the conditions hereof, and in accordance with the relevant provisions of the South Dakota Code, Baltic shall be merged with and into Splitrock. Following the Merger, Splitrock shall continue as the surviving corporation (the "Surviving Corporation") and the separate corporate existence of Baltic shall cease.

3.2 Effective Time. As soon as practicable following the Closing Date, Baltic and Splitrock shall file with the Secretary of State of the State of South Dakota, articles of merger and such other appropriate documents executed in accordance with the South Dakota Code. The Merger shall become effective at 12:02 a.m. on January 1, 2003, as shall be specified in such filing (the "Effective Time"). Each of the Constituent Corporations shall have closed its books in a manner consistent with past practice as of December 31, 2002.

3.3 Effects of the Merger. The Merger shall have the effects set forth in the South Dakota Code, and specifically shall cause (i) each membership in Baltic to be automatically converted to a membership in the Surviving Corporation with no further action on the part of such member of Baltic; (ii) the assigned service territory of Baltic, as designated by the South Dakota Public Utilities Commission, shall become the assigned service territory of the Surviving Corporation; and (iii) each and all of the assets of Baltic shall then and thereby (without any other or additional action by any or all or any combination of the parties or anyone else) become and be the assets of the Surviving Corporation and at the same time, each and all of the liabilities of Baltic shall then and thereby (without any additional other or additional action by any or all or any combination of the parties or anyone else) become the liabilities of the Surviving Corporation.

3.4 Articles of Incorporation and Bylaws. The Articles of Incorporation, as amended, of Splitrock shall be the Articles of Incorporation of the Surviving Corporation from and after the Effective Time until thereafter amended in accordance with the provisions therein and as provided in the South Dakota Code. The bylaws, rules, and policies of Splitrock shall be the bylaws, rules, and policies of the Surviving Corporation from and after the Effective Time,

continuing until thereafter amended in accordance with their terms and the Articles of Incorporation of the Surviving Corporation and as provided by the South Dakota Code.

3.5 Directors and Officers. Immediately following the Effective Time, the General Manager of the Surviving Corporation shall be Don Snyders, unless otherwise agreed upon by the directors of the Surviving Corporation. The boards of directors of Baltic and Splitrock immediately prior to the Effective Time shall be combined and shall collectively comprise the board of directors of the Surviving Corporation immediately following the Effective Time (the "Initial Board"). The Initial Board of directors of the Surviving Corporation shall consist of fourteen (14) members. However, the parties acknowledge and agree that it is the intention of the parties to reduce the number of directors of the Surviving Corporation to eleven (11) members (the "Optimal Number"). On the Effective Date, the bylaws of the Surviving Corporation shall be amended in the manner set forth in Exhibit D attached hereto and incorporated herein by this reference.

4. CONVERSION AND ALLOCATION OF PATRONAGE CAPITAL UPON MERGER

4.1 Allocation of Income and Accumulated Earnings. Just prior to the Effective Time, each of Baltic and Splitrock shall individually allocate to their respective members and patrons all of the unallocated operating and non-operating income and accumulated earnings of each Constituent Corporation. Such allocations shall be conducted in accordance with the respective bylaws of each Constituent Corporation; provided however, that each Constituent Corporation shall make a separate allocation for operating and non-operating income.

4.2 Conversion of Patronage Capital. At the Effective Time, all of the allocated patronage capital of each of Baltic and Splitrock immediately prior to the Effective Time (the "Baltic Patronage Capital" and "Splitrock Patronage Capital," respectively) shall, by virtue of the Merger and without any action on the part of the holder thereof, but subject to the effectiveness of the Merger, automatically be converted into an equal dollar amount of the patronage capital of the Surviving Corporation (the "Surviving Corporation Patronage Capital"). Any equity items of the Constituent Corporations which are unallocated as of the Effective Time, shall by virtue of the Merger, but subject to its effectiveness, automatically become the sole property of the Surviving Corporation, and shall not be attributable to any member, nor shall the Surviving Corporation have any obligation to allocate any such amount to any person.

(a) Subsequent to the Effective Time, the Surviving Corporation shall maintain separate accounts recording the Baltic Patronage Capital derived from operating activities and from non-operating activities and the Splitrock Patronage Capital derived from operating activities and from non-operating activities. Nothing contained herein shall either obligate or prevent the Surviving Corporation to or from retiring patronage capital attributable to differing years of operation or differing amounts of the Baltic Patronage Capital and Splitrock Patronage Capital components of the Surviving Corporation Patronage Capital.

(b) Nothing contained herein shall be interpreted or construed as imposing an obligation on either of the Constituent Corporations or the Surviving Corporation to ever retire allocated patronage capital which is attributable to non-operating income.

(c) On and after the Effective Date, the Surviving Corporation shall allocate its operating and non-operating revenues, as permitted or required by its bylaws, to the members and patrons of the Surviving Corporation without regard to the prior affiliation of such members and patrons with either of the Constituent Corporations.

(d) It is acknowledged that each of the Constituent Corporations has attained different rotation period in the general retirement of its patronage capital. It is the intention of the Constituent Corporations that following the Merger, the Surviving Corporation shall make all commercially reasonable efforts and take all commercially reasonable actions to retire the Baltic Patronage Capital, the Splitrock Patronage Capital, and the Surviving Corporation Patronage Capital so as to cause the oldest years in which there is un-retired Baltic Patronage Capital and un-retired Splitrock Patronage Capital to be equal on or before December 31, 2008. The Board of Directors of the Surviving Corporation shall, consistent with uniform policies and by-laws, seek to establish a single rotation period, provided, however, that a general retirement or partial retirement of the patronage capital of one of the Constituent Corporations which was on a shorter rotation period prior to merger, shall not constitute a violation of the first in first out principal.

4.3 Review by Surviving Corporation's Accountants. As soon as practicable, but in no event later than the regular annual audit of financial statements of the Surviving Corporation, the Surviving Corporation's then independent accountants shall review the allocations of the previously unallocated operating and non-operating income and accumulated earnings of Splitrock and Baltic and all other allocations, retirements, and records of the Surviving Corporation and the Constituent Corporations for accuracy (and the related worksheets, working papers, notes and schedules thereto).

4.4 Dispute Mechanism. In the event that the independent auditors of the Surviving Corporation indicate objections or discrepancies relating to such allocations, retirements, and records, the parties shall endeavor to agree on any matters in dispute raised by the independent auditors. If the parties are unable to agree on any matters in dispute within thirty (30) calendar days of notice of the objection or discrepancy, the matters in dispute shall be submitted for resolution to an independent accounting firm of regional or national reputation as may be mutually acceptable to the board of directors, which may be the Surviving Corporation's independent accountants. Within thirty (30) calendar days of submission of the dispute, such independent accounting firm shall determine and issue a written report to the Surviving Corporation and its board of directors upon such disputed items and such written decision shall be final and binding upon the parties.

4.5 Taking of Necessary Action; Further Action. If, at any time after the Effective Time, any further action is necessary or desirable to carry out the purposes of this Agreement and to vest the Surviving Corporation with full right, title and possession to all assets, property, rights, privileges, powers and franchises of the Constituent Corporations, the officers and directors of the Surviving Corporation are fully authorized to take, and will take, all such lawful and necessary action.

4.6 Rights of Members and Patrons. No member or patron of either Constituent Corporation or of the Surviving Corporation shall be entitled to payment of any item of

patronage capital solely by virtue of the execution of this Agreement or the consummation of the transaction contemplated herein.

5. CLOSING

5.1 **Location, Date.** The closing (the "Closing") for the Merger and the transactions contemplated thereby shall be held at any time after each of the Constituent Corporations has obtained signatures of their respective requisite officers to the Articles of Merger, and the approval of a majority of a quorum of its members voting thereon, to proceed with the Merger, but in no event shall it occur later than 9:00 a.m. (local time) December 31, 2002, unless the parties hereto agree in writing to another date or place. The date on which the Closing occurs is referred to herein as the "Closing Date."

5.2 **Deliveries.** At the Closing, subject to the terms and conditions contained herein:

(a) The Constituent Corporations shall deliver to the Secretary of State of the State of South Dakota all such documents as required under the South Dakota Code and the parties shall take all such other and further actions as may be required by the South Dakota Code and any other applicable law to make the Merger effective upon the terms and subject to the conditions hereof;

(b) Baltic and Splitrock shall each deliver to the opposite party duly executed resolutions and authorizations of their respective boards of directors and membership authorizing the Merger;

(c) Baltic shall deliver resignations of all officers and directors of the Company, which shall not take effect until the Effective Time;

(d) the parties shall also deliver to each other the respective agreements, legal opinions and other documents and instruments specified with respect to them in this Agreement or as required to transfer title to the assets and properties of either of the Constituent Corporations to the Surviving Corporation; and

(e) the approval and consent of the South Dakota Public Utilities Commission to the assignment of the designated service areas of Baltic to the Surviving Corporation.

6. REPRESENTATIONS, WARRANTIES, AND COVENANTS OF THE CONSTITUENT CORPORATIONS

As of the date hereof, each of Baltic and Splitrock represents, warrants and covenants to each other and each other's members as follows:

6.1 **Organization, Powers and Qualifications.** Each of Baltic and Splitrock, as the case may be, is a corporation duly organized, validly existing and in good standing under the laws of the State of South Dakota. Each of Baltic and Splitrock, as the case may be, has all requisite corporate power and authority to carry on its business as it is now being conducted and to own, lease and operate the properties and assets used in connection therewith, and is duly

qualified as a foreign corporation authorized to do business and is in good standing in every jurisdiction in which such qualification is required, all of which jurisdictions are disclosed on Schedule 6.1 hereto, except where the failure to be so qualified would not have a Company Material Adverse Effect.

6.2 Subsidiaries.

(a) Schedule 6.2(a) lists each Subsidiary of Baltic or Splitrock, as the case may be, and the jurisdiction of its organization. Each Subsidiary is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization. Each Subsidiary has all requisite power and authority to carry on its business as it is now being conducted and to own, lease and operate the assets and properties used in connection therewith. Each Subsidiary is duly qualified as a foreign corporation authorized to do business and is in good standing in every jurisdiction in which such qualification is required, all of which jurisdictions are disclosed on Schedule 6.2(a), except where the failure to be so qualified would not have a Company Material Adverse Effect. All issued and outstanding shares of capital stock of each Subsidiary have been duly authorized, are validly issued and outstanding, fully paid, nonassessable, and, except as set forth in the Schedule 6.2(a), are lawfully owned of record and beneficially owned by Baltic or Splitrock, as the case may be, or Subsidiary thereof free and clear of all pledges, liens, claims, security interests, restrictions and other charges or defects in title of any nature whatsoever (“Liens”). Except as disclosed on Schedule 6.2(a), there are no existing subscriptions, options, warrants, convertible securities, calls, commitments, agreements, conversion rights or other rights of any character (contingent or otherwise) calling for or requiring the issuance, transfer, sale or other disposition of any shares of the capital stock of any Subsidiary, or calling for or requiring the issuance of any securities or rights convertible into or exchangeable for shares of capital stock of any Subsidiary, nor is Baltic or Splitrock, as the case may be, or any Subsidiary subject to any obligation (contingent or otherwise) to repurchase, redeem or otherwise acquire shares of capital stock of any Subsidiary. Except for the Subsidiaries set forth on the Schedule 6.2(a), neither Baltic nor Splitrock or any Subsidiary thereof directly or indirectly (i) owns or controls any shares of any corporation nor has any voting securities of, or economic interest in, either of record, beneficially or equitably, in any association, partnership, limited liability company or other legal entity, or (ii) is a general partner of any partnership.

6.3 Articles of Incorporation, Bylaws and Minute Books. The copies of the Articles of Incorporation and all amendments thereto and of the bylaws, as amended, of Baltic and Splitrock and their respective Subsidiaries which have been delivered to the opposite party are true, correct and complete copies thereof as in effect on the date hereof. The minute books of Baltic or Splitrock, as the case may be, and the Subsidiaries thereof which have been made available for inspection contain minutes, which are accurate and complete in all material respects, of all meetings and consents in lieu of meetings of the Board of Directors and committees thereof and the members of Baltic or Splitrock, as the case may be and the Subsidiaries since the respective dates of incorporation.

6.4 Authority; Binding Effect. Each of Baltic or Splitrock, as the case may be, has all requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. All necessary action, corporate or otherwise,

required to have been taken by or on behalf of it by applicable law, its Charter Documents or otherwise to authorize (i) the approval, execution and delivery on its behalf of this Agreement and (ii) its performance of its obligations under this Agreement and the consummation of the transactions contemplated hereby have been taken. This Agreement constitutes each of Baltic's or Splitrock's, as the case may be, valid and binding agreement, enforceable against it in accordance with its terms, except (A) as the same may be limited by applicable bankruptcy, insolvency, moratorium or similar laws of general application relating to or affecting creditors' rights, including without limitation, the effect of statutory or other laws regarding fraudulent conveyances and preferential transfers, and (B) for the limitations imposed by general principles of equity.

6.5 No Conflict; Approvals. Except as set forth on Schedule 6.5, the execution and delivery of this Agreement does not, and the consummation of the transactions contemplated hereby will not, (a) violate or conflict with Baltic's or Splitrock's, as the case may be, Articles of Incorporation or bylaws or the comparable organizational documents of any of their respective Subsidiaries, or (b) constitute a breach or default (or an event that with notice or lapse of time or both would become a breach or default) or give rise to any lien, third party right of termination, cancellation, material modification or acceleration, or loss of any benefit, under any Contract to which Baltic or Splitrock, as the case may be, or any Subsidiary thereof is a party or by which it is bound, or (c) subject to the consents, approvals, orders, authorizations, filings, declarations and registrations specified in Section 4.6 or in Schedule 6.5 conflict with or result in a violation of any permit, license or any law, rule or regulation applicable to Baltic or Splitrock, as the case may be, or any of its Subsidiaries or any of their properties or assets, except, in the case of clauses (b) and (c), for any such breaches, defaults, liens, third party rights, cancellations, modifications, accelerations or losses of benefits, conflicts or violations which would not have a Company Material Adverse Effect and would not impair the ability of Baltic or Splitrock, as the case may be, to perform its obligations under this Agreement or prevent or delay the consummation of any of the transactions contemplated hereby.

6.6 Governmental Consents and Approvals. Except as set forth in Schedule 6.6, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will require any Authorization or filing with or notification to, any local, state, federal or foreign court, administrative agency, commission or other governmental or regulatory authority, agency or instrumentality ("Governmental Entity"), except (a) the filings with and consents or approvals of the state public service commissions, public utility commissions, federal, state, local, or quasi-governmental agencies, departments, or creditors, or similar state regulatory bodies ("Public Utility Commission") which are disclosed on Schedule 6.6, (b) the filing and recording of the Certificate of Merger in accordance with the South Dakota Code, and (c) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not prevent it from performing its obligations under this Agreement without having a Company Material Adverse Effect.

6.7 Financial Statements. Each of Baltic or Splitrock, as the case may be, has delivered to the opposite party true and complete copies of the consolidated balance sheet of Baltic or Splitrock, as the case may be, and their respective Subsidiaries as of December 31, 2001 and December 31, 2000 and the related consolidated statements of operations and comprehensive income, equities, and statements of cash flow for the year then ended, together

with the notes thereto, audited by EideBaily, LLP, all of which have been prepared in accordance with generally accepted accounting principles (“GAAP”) consistently applied throughout the periods involved. Such balance sheet, including the related notes, fairly present the consolidated financial position, assets and liabilities (whether accrued, absolute, contingent or otherwise) of Baltic or Splitrock, as the case may be, and their respective Subsidiaries at the date indicated and such consolidated and consolidating statements of income, changes in stockholders’ equity and statements of cash flow fairly present the consolidated results of operations, changes in stockholders’ equity and cash flow of Baltic or Splitrock, as the case may be, and their respective Subsidiaries for the period indicated. The audited consolidated financial statements at and for the periods ended December 31, 2001, and December 31, 2000 contain all adjustments, which are solely of a normal recurring nature, necessary to present fairly the financial position as of December 31, 2001, and December 31, 2000 and the results of operations and changes in equities and financial position for the period then ended.

6.8 Absence of Certain Changes. Except as disclosed in Schedule 6.8, since December 31, 2001 (the “Balance Sheet Date”), Baltic and Splitrock, as the case may be, and their respective Subsidiaries have conducted their business solely in the ordinary course consistent with past practice. Except as otherwise disclosed in Schedule 6.8 since the Balance Sheet Date, Baltic and Splitrock, as the case may be, and their respective Subsidiaries have not:

- (a) suffered any Company Material Adverse Effect;
- (b) been subject to any other events or conditions of any character that would have a Company Material Adverse Effect or impair the ability of Baltic or Splitrock, as the case may be, to perform its obligations under this Agreement or prevent or delay the consummation of any of the transactions contemplated hereby;
- (c) made any material change to their respective financial or tax reporting methods, principles or practices;
- (d) been subject to any revaluation of any assets of Baltic or Splitrock, as the case may be, or any of their respective Subsidiaries that, individually or in the aggregate has had, or would reasonably be expected to have a Company Material Adverse Effect, including writing down the value of capitalized software or inventory or writing off notes or accounts receivable other than in the ordinary course of business consistent with past practice;
- (e) incurred any material liabilities, other than liabilities incurred in the ordinary course of business consistent with past practice, or discharged or satisfied any material Lien, or paid any material liabilities not incurred any cancellation of any material indebtedness other than in the ordinary course of business consistent with past practice, or failed to pay or discharge when due any liabilities of which the failure to pay or discharge has caused or will cause any material damage or risk of material loss to it or any of its material assets or properties.

6.9 Absence of Undisclosed Liabilities. Neither Baltic or Splitrock, as the case may be, nor their respective Subsidiaries have any material indebtedness, liability or obligation of any kind (whether known or unknown, accrued, absolute, asserted or unasserted, contingent or otherwise) except (a) as and to the extent properly reflected, reserved against or otherwise

disclosed in the audited consolidated balance sheet of Baltic or Splitrock, as the case may be, and their respective Subsidiaries as of December 31, 2001, or (b) for liabilities and obligations incurred subsequent to the Balance Sheet Date in the ordinary course of business and which do not have a Company Material Adverse Effect or impair the ability of Baltic or Splitrock, as the case may be, to perform its obligations under this Agreement or prevent or delay the consummation of any of the transactions contemplated hereby.

6.10 Contracts.

(a) Schedule 6.10 lists all written contracts, agreements, arrangements, leases, instruments, mortgages and commitments ("Contracts"), including Contracts which have terminated by their terms and under which the Company is still performing, to which Baltic or Splitrock, as the case may be, or a Subsidiary is a party or may be bound or to which their respective properties or assets may be subject:

(i) which involves \$500,000 or more in value to be paid or received within any twelve (12) month period;

(ii) which is a severance agreement, program or policy of Baltic or Splitrock, as the case may be, or a Subsidiary thereof with or relating to its employees;

(iii) which is a collective bargaining agreement or agreement with any labor union;

(iv) which involves a commission, representative, franchise, distributorship, or sales agency arrangement and which involves \$500,000 or more in value to be paid or received within any twelve (12) month period;

(i) which is a material conditional sale or lease arrangement;

(vi) which is an arrangement limiting or restraining Baltic or Splitrock, as the case may be, or any Subsidiary thereof or any successor thereto from engaging or competing in any manner or in any business; or

(vii) under which Baltic or Splitrock, as the case may be, or any Subsidiary thereof guarantees the payment or performance by others and which involves guarantee obligations of \$500,000 or more in value to be performed in any twelve (12) month period.

(b) All Contracts are valid and binding and in full force and effect as to Baltic or Splitrock, as the case may be, on the date of this Agreement except to the extent they have previously expired in accordance with their terms or except to the extent they have previously expired in accordance with their terms or except to the extent that their invalidity would not have a Company Material Adverse Effect. Except as set forth on Schedule 6.10, none of Baltic or Splitrock, as the case may be, their respective Subsidiaries nor, to Baltic or Splitrock's Knowledge, any other parties, have violated any provision of, or committed or failed to perform any act which with notice, lapse of time or both would constitute a default under the provisions

of, any Contract, the termination or violation of which, or the default under which, might have a Company Material Adverse Effect. True and complete copies of all Contracts listed on Schedule 6.10 together with all amendments thereto through the date hereof, have been made available to the opposite party.

6.11 Authorizations; Compliance With Law.

(a) Baltic or Splitrock, as the case may be, and their respective Subsidiaries hold all licenses, franchises, certificates, consents, permits, approvals, certificates of public convenience and necessity, and authorizations ("Authorizations") from all Governmental Entities and other persons (including without limitation all required Authorizations which may be issued or required by the Public Utility Commissions) which are necessary for the lawful conduct of their respective businesses and their use and occupancy of their assets and properties in the manner heretofore conducted, used and occupied, except where the failure to hold any of the foregoing would not have a Company Material Adverse Effect or impair the ability of Baltic or Splitrock, as the case may be, to perform its obligations under this Agreement.

(b) Each of Baltic or Splitrock, as the case may be, and each of their respective Subsidiaries is in compliance with all, and to Baltic's or Splitrock's, as the case may be, Knowledge has not received written notice of violation of any, applicable laws, authorizations, statutes, ordinances, codes, rules and regulations of any Governmental Entities, except where such violations would not have a Company Material Adverse Effect.

6.12 Taxes.

(a) Baltic or Splitrock, as the case may be, and its respective Subsidiaries have filed (or received an appropriate extension of time to file) all federal, state, local and foreign tax returns, reports, information returns, statements and other similar filings required to be filed by Baltic or Splitrock or their respective Subsidiaries (the "Tax Returns") on or prior to the date hereof with respect to any federal, state, local or foreign taxes, assessments, deficiencies, fees and other governmental charges or impositions (including without limitation all income tax, unemployment compensation, social security, payroll, sales and use, excise, property, ad valorem, gross receipts, severance, business, occupational, transfer, franchise and any other tax or similar governmental charge or imposition (including interest, penalties or additions with respect thereto) under the laws of the United States or any state or municipal or political subdivision thereof or any foreign country or political subdivision thereof) ("Taxes") with the appropriate governmental agencies in all jurisdictions in which such Tax Returns are required to be filed, and all such Tax Returns correctly reflect in all material respects the liabilities of Baltic or Splitrock, as the case may be, and the Subsidiaries for Taxes for the periods, property or events covered thereby.

(b) All Taxes, including those without limitation which are called for by the Tax Returns, or heretofore or hereafter claimed to be due by any taxing authority from Baltic or Splitrock, as the case may be, and their respective Subsidiaries with respect to a Pre-2003 Tax Period have been fully paid or properly accrued. The accruals for Taxes contained in Baltic or Splitrock's 2002 Balance Sheet are adequate to cover the tax liabilities of Baltic or Splitrock, as the case may be, and their respective Subsidiaries as of the Balance Sheet Date and include

adequate provision for all current and deferred taxes, and nothing has occurred subsequent to that date to make any such accruals inadequate.

(c) Neither Baltic or Splitrock, as the case may be, nor any of their respective Subsidiaries have received any written notice of assessment or proposed assessment in connection with any Taxes or Tax Returns, and neither of Baltic or Splitrock, as the case may be, has any Knowledge of any pending tax examinations of or tax claims asserted against Baltic or Splitrock, as the case may be, or their respective Subsidiaries or any of their respective assets or properties. Neither Baltic or Splitrock, as the case may be, nor any Subsidiary thereof has an outstanding agreement or arrangement that has extended, or waived the application of, any statute of limitations of any jurisdiction regarding the assessment or collection of any Taxes nor has Baltic or Splitrock, as the case may be, or any of their respective Subsidiaries been requested to execute any such extensions of the statute of limitations by any taxing authorities.

(d) There are no tax liens (other than any lien for current Taxes not yet due and payable) on any of the assets or properties of Baltic or Splitrock, as the case may be, or of their respective Subsidiaries. Baltic or Splitrock, as the case may be, and the Subsidiaries have made all deposits required by law to be made with respect to employees' withholding and other employment taxes, including without limitation the portion of such deposits relating to taxes imposed upon Baltic, Splitrock, or their Subsidiaries.

(e) Neither Baltic or Splitrock, as the case may be, nor any of their respective Subsidiaries nor, to the Knowledge of Baltic or Splitrock any of their affiliates has taken or agreed to take any action or failed to take any action that is reasonably likely to prevent the Merger from constituting a reorganization qualifying under the provisions of Section 368(a) of the Code.

(f) Neither Baltic or Splitrock, as the case may be, nor any of the Subsidiaries has been a member of an Affiliated Group, within the meaning of Section 1504(a) of the Code, other than the ones in which Baltic or Splitrock was the common parent or filed or been included in a combined, consolidated, or unitary income Tax Return other than the one filed by Baltic or Splitrock.

(g) Each of Baltic and Splitrock has made available to the opposite party copies of all federal and state income Tax Returns filed, examination reports received, and statements of deficiencies assessed against or agreed to by the Company since January 1, 1997.

6.13 Absence of Litigation; Claims. There are no claims, actions, suits, proceedings or investigations, civil or criminal, pending or, to the Knowledge of Baltic or Splitrock, as the case may be, threatened against Baltic or Splitrock or any of their respective Subsidiaries, or any properties or rights of Baltic or Splitrock or that of any of their respective Subsidiaries, or with respect to which any director, officer, employee or agent is or may be entitled to claim indemnification from Baltic or Splitrock or any of their respective Subsidiaries, before any Governmental Entity or arbitrator, which, if decided adversely to Baltic or Splitrock or any such Subsidiary, would have a Company Material Adverse Effect or impair the ability of Baltic or Splitrock to perform its obligations under this Agreement, nor is there any judgment, decree, injunction, rule or order of any Governmental Entity or arbitrator outstanding against Baltic or

Splitrock or any of their respective Subsidiaries having or which, insofar as reasonably can be foreseen, in the future would have such effect.

6.14 Environmental Matters.

(a) Each of Baltic or Splitrock and each of their respective Subsidiaries are in material compliance with all applicable Environmental Laws. Neither Baltic or Splitrock nor any of their respective Subsidiaries has received any communication from any person or Governmental Entity that alleges that Baltic or Splitrock or any of their respective Subsidiaries is not in material compliance with applicable Environmental Laws where such non-compliance would be reasonably likely to have a Company Material Adverse Effect.

(b) Each of Baltic or Splitrock and each of their respective Subsidiaries have obtained or have applied for all material Environmental Permits necessary for the construction of their facilities or the conduct of their operations, and all such material Environmental Permits are effective or, where applicable, a renewal application has been timely filed and is pending agency approval, and each of Baltic and Splitrock and their respective Subsidiaries are in material compliance with all terms and conditions of the Environmental Permits.

6.15 Ownership of Assets. Each of Baltic or Splitrock owns, leases or has adequate rights to use all assets necessary to operate its business as currently conducted, except where the failure thereof would not have a Company Material Adverse Effect. To the Knowledge of Baltic or Splitrock, as the case may be, the assets used by Baltic or Splitrock which are material to the conduct of its business are, in the aggregate, in operable condition, except as would not have a Company Material Adverse Effect.

6.16 Accounts Receivables. The accounts receivable of Baltic and Splitrock as reflected on the accounting records of Baltic or Splitrock respectively represent valid obligations arising from sales actually made or services actually performed in the ordinary course of business.

6.17 Labor Relations. To the Knowledge of Baltic and Splitrock, there is no pending or existing threatened strike, slowdown or work stoppage as respects Baltic or Splitrock's employees. Baltic and Splitrock acknowledge and agree that it is their intention that no employee of either of the Constituent Corporations or the Surviving Corporation shall be terminated solely by virtue of the Merger and that such employees will be retained in substantially similar pay grades and overall compensations. Notwithstanding the foregoing, the Surviving Corporation shall not be required to replace reductions in employment due to natural attrition, nor shall the Surviving Corporation be prevented from terminating any employee for cause, nor shall anything contained herein be construed as creating a contract of employment between any person and the Surviving Corporation or as modifying the at-will status of any employee in any way. Baltic and Splitrock further acknowledge and agree that it is their intention that the Surviving Corporation shall maintain an office within the City of Baltic, unless otherwise directed by a vote of its membership.

6.18 Rate Changes. There shall be no rate changes solely as a result of the Merger. This provision shall not be construed as preventing the Board of Directors of the Surviving

Corporation from establishing different rates from time to time, based on appropriate rate making principles. Service rates for former members and patrons of the Constituent Corporations need not be the same.

Neither Baltic nor Splitrock makes any representations and warranties other than those expressly made in this Article 6.

7. COVENANTS OF BALTIC, SPLITROCK AND THE SURVIVING CORPORATION

7.1 **Conduct of Business.** Each of Baltic and Splitrock covenants and agrees that, between the date of this Agreement and the Effective Time, unless the opposite party shall otherwise consent in writing, and except as otherwise expressly contemplated in this Agreement, the business of Baltic and Splitrock and their respective Subsidiaries shall be conducted only in, and such entities shall not take any action except in, the ordinary course of business and in a manner consistent with past practice; and Baltic and Splitrock and their respective Subsidiaries will use their commercially reasonable efforts to preserve substantially intact the business organization of Baltic and Splitrock, as the case may be, as well as their respective Subsidiaries, to keep available the services of those of their present officers, employees and consultants that are integral to the operation of their businesses as presently conducted and to preserve the present relationships of Baltic and Splitrock and their respective Subsidiaries, with customers, suppliers and other persons with which Baltic and Splitrock and their respective Subsidiaries have significant business relations.

7.2 **Access to Information.** Between the date of this Agreement and the Closing Date, each of Baltic and Splitrock will and will cause each of their respective Subsidiaries to (a) give the opposite party and its authorized representatives reasonable access, during regular business hours upon reasonable notice, to all offices, warehouses and other facilities and to all books and records of Baltic or Splitrock, as the case may be, and their respective Subsidiaries, as well as their respective directors, officers, employees, agents, attorneys, accountants and consultants, (b) permit the opposite party to make such reasonable inspections as it may require, and (c) cause its officers and those of its Subsidiaries to furnish the opposite party with such financial and operating data and other information with respect to the business and properties of Baltic or Splitrock and their respective Subsidiaries, as the opposite party may from time to time reasonably request and as Baltic or Splitrock and their respective Subsidiaries may have on hand or be able to produce without undue hardship.

7.3 **Further Assurances.** Except as otherwise provided herein, each of the parties hereto agrees to use its commercially reasonable efforts to take, or cause to be taken, all appropriate laws, statutes, ordinances, codes, rules and regulations to consummate and make effective the transactions contemplated by this Agreement in the most expeditious manner practicable, including but not limited to the satisfaction of all conditions to the Merger, and to consummate the Merger as promptly as practicable.

7.4 **Notification.** Each party hereto shall, in the event of, or promptly after obtaining knowledge of the occurrence or threatened occurrence of, any fact or circumstance that would cause or constitute a breach of any of its representations and warranties set forth herein, give

notice thereof to the other parties and shall use its commercially reasonable efforts to prevent or promptly to remedy such breach, provided, however, that none of such notices shall be deemed to modify, amend or supplement the representations and warranties of such party or the disclosure schedules of such party for the purposes of Article 7 or 8 hereof, as the case may be, unless the other party shall have consented thereto in writing.

7.5 Regulatory and Other Authorizations. Each party hereto agrees to use commercially reasonable efforts to comply with all legal requirements which may be imposed on such party with respect to the Merger and to obtain all Authorizations, consents, orders and approvals of Governmental Entities and non-governmental third parties that may be or become necessary for (i) its respective execution and delivery of, and the performance of its respective obligations pursuant to, this Agreement and (ii) the ownership of the assets of Baltic by the Surviving Corporation, and each party will cooperate fully with the other parties in promptly seeking to obtain all such authorizations, consents, orders and approvals.

7.6 Tax-Free Reorganization. The parties intend that the Merger qualify as a "reorganization" within the meaning of Section 368(a)(1)(A) and 368(a)(2)(D) of the Code. Accordingly, from and after the Effective Time, neither Baltic nor Splitrock, as the case may be, nor any of their respective affiliates shall knowingly take any action, or knowingly fail to take any action that is reasonably likely to cause the Merger to fail to be a tax-free reorganization within the meaning of Section 368(a) of the Code and shall each report the Merger as a reorganization within the meaning of Section 368(a) of the Code for purposes of any Tax. Subject to the foregoing, the parties hereto shall not be prohibited from responding to inquiries of any Governmental Entities regarding this Agreement and the transactions contemplated hereby.

7.7 Indemnification of Directors and Officers. The Surviving Corporation shall indemnify the previous and current directors and officers of Baltic to the full extent to which Baltic would be permitted to do so if its existence were to continue beyond the Effective Date and its articles and bylaws remain unchanged from their present state.

8. CONDITIONS TO THE MERGER

8.1 Conditions to Obligations of Each Party to Effect the Merger. The respective obligations of each party to this Agreement to effect the Merger shall be subject to the satisfaction at or prior to the Effective Date of the following conditions:

(a) **No Injunctions or Restraints; Illegality.** No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal or regulatory restraint or prohibition shall have been issued and be in effect restraining or prohibiting the consummation of the Merger or any of the transactions contemplated hereby; nor shall any action have been taken by a Governmental Entity or any federal, state or foreign statute, rule, regulation, executive order, decree or injunction shall have been enacted, entered, promulgated or enforced by any Governmental Entity or arbitrator, which is in effect and has the effect of making the Merger illegal or otherwise prohibiting the consummation of the Merger.

(b) Absence of Company Material Adverse Effect. No Company Material Adverse Effect shall have occurred, and no fact or circumstance shall exist which could reasonably be expected to result in a Company Material Adverse Effect.

(c) Representations and Warranties. Except for representations and warranties which speak as of a date specified, the representations and warranties of Baltic or Splitrock, as the case may be, contained in this Agreement and its disclosure schedules thereto, without giving effect to any supplement or amendment thereto, or in any other document delivered pursuant hereto shall be true and correct in all material respects (provided that any such representation or warranty, which by its terms is qualified as to materiality, shall be true and correct in all respects) on and as of the Closing Date with the same effect as if made on and as of the Closing Date.

(d) Performance. Each of Baltic and Splitrock shall have performed and complied with in all material respects each agreement, covenant and obligation required by this Agreement to be so performed or complied with at or before the Closing.

(e) Consents. All authorizations, consents, orders or approvals of, or declaration or filings with, and all expirations of waiting periods imposed by, any governmental body, agency or official (all of the foregoing, "Consents") which are necessary for the consummation of the transactions contemplated hereby, other than immaterial Consents the failure to obtain which would have no material adverse effect on the consummation of the transactions contemplated hereby and no Company Material Adverse Effect shall have been filed, have occurred, and have been obtained.

(f) Good Standing Certificates. Each of Baltic and Splitrock shall have received good standing certificates of the opposite party from the State of South Dakota, and from each state in which Baltic and Splitrock are required to be qualified to transact business.

(g) Other Documents. Without limitation by specific enumeration of the foregoing, all other documents reasonably required to consummate the transactions contemplated hereby.

(h) Membership Approval. A majority of members, present and voting, at each of the special membership meetings of each of the respective Constituent Corporations have approved the Merger, as set forth in this Agreement.

(i) Change of Name. The Articles of Incorporation of Splitrock shall be amended so as to change the name of Splitrock to Alliance Communications Cooperative, Inc.

(j) Each of the Constituent Corporations has received the approval and consent of the Rural Utilities Services and any other state or federal regulatory body having jurisdiction over such Constituent Corporations, if such approval and consent is necessary or advisable.

9. GENERAL

9.1 **Successors and Assigns.** This Agreement and the rights of the parties hereunder may not be assigned (by operation of law or otherwise) and shall be binding upon and shall inure to the benefit of the parties hereto and their successors and assigns.

9.2 **Expenses.** Whether or not the Merger is consummated, all fees and expenses incurred in connection with the Merger including all legal, accounting, financial advisory, consulting and all other fees and expenses of third parties incurred by a party in connection with the negotiation and effectuation of the terms and conditions of this Agreement and the transactions contemplated hereby, shall be the obligation of the respective party incurring such fees and expenses.

9.3 **Entire Agreement.** This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among Baltic and Splitrock and supersedes any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto, enforceable in accordance with its terms, and may be modified or amended only by written instrument executed by Baltic and Splitrock acting through their respective officers, duly authorized by their respective Boards of Directors.

9.4 **Counterparts.** This Agreement may be executed simultaneously in two or more counterparts, each of which when duly executed and delivered shall be deemed an original and all of which together shall constitute one and the same instrument.

9.5 **Notices.** All notices, requests and other communications to any party hereunder shall be in writing (including telecopier or similar writing) and shall be given to such party at its address or telecopier number set forth below, or such other address or telecopier number as such party may hereinafter specify for the purpose to the party giving such notice. Each such notice, request or other communication shall be effective (i) if given by telecopy, when such telecopy is transmitted to the telecopy number specified in this Section and the appropriate electronic confirmation is received or, (ii) if given by overnight mail, twenty-four (24) hours after such communication is deposited with an overnight courier, addressed as aforesaid, or (iii) if given by any other means, when delivered at the address specified in this Section.

If to Splitrock, addressed to them at:

Splitrock Telecom Cooperative, Inc.
612 3rd Street
P.O. Box 349
Garretson, SD 57030
(605) 594-6745

with a copy to (which shall not constitute notice):

Alan F. Glover
Glover, Helsper & Rasmussen
100 22nd Avenue #200
Brookings, SD 57006
(605) 692-7775

If to Baltic:

Baltic Telecom Cooperative
501 Second Street - P.O. Box 307
Baltic, SD 57003-0307
(605) 529-5454

With a copy to (which shall not constitute notice):

Brian J. Donahoe
Cutler & Donahoe, LLP
100 N. Phillips Avenue, 9th Floor
Sioux Falls, SD 57104
(605) 335-4950

If to East Plains:

East Plains Telecom, Inc.
501 Second Street - P.O. Box 307
Baltic, SD 57003-0307
(605) 529-5454

With a copy to (which shall not constitute notice):

Brian J. Donahoe
Cutler & Donahoe, LLP
100 N. Phillips Avenue, 9th Floor
Sioux Falls, SD 57104
(605) 335-4950

9.6 Governing Law. This Agreement shall be construed in accordance with the laws of the State of South Dakota, without giving effect to any of the provisions thereof that would require the application of the substantive laws of any other jurisdiction.

9.7 Exercise of Rights and Remedies. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any

single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

9.8 Time. Time is of the essence with respect to this Agreement.

9.9 Severability. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provisions shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

9.10 Remedies Cumulative. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

9.11 Captions. The headings of this Agreement are inserted for convenience only and shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

10. DEFINITIONS. As used in this Agreement, the following defined terms shall have the meanings indicated below:

“Agreement” is defined in the Preamble to this Agreement.

“Authorizations” is defined in Section 6.11.

“Balance Sheet Date” is defined in Section 6.8.

“Baltic” is defined in the preamble of this Agreement.

“Baltic Patronage Capital” is defined in Section 4.2.

“Business Day” means a day other than Saturday, Sunday or any day on which banks located in the State of South Dakota are authorized or obligated to close.

“Charter Documents” means, with respect to any Person, its Articles/Certificates of Incorporation and By-Laws or other organization documents.

“Closing” is defined in Section 5.1.

“Closing Date” is defined in Section 5.1.

“Code” is defined in the Recitals to this Agreement.

“Company Material Adverse Effect” shall mean any fact, condition, event, development or occurrence which, individually or when taken together with all other such facts,

conditions, events, developments or occurrences, could reasonably be expected to have a material adverse effect on the financial condition, operating results, business or prospects of Baltic, Splitrock, the Surviving Corporation, or any of their respective Subsidiaries taken as a whole.

“Consents” is defined in Section 8.1(e).

“Constituent Corporations” is defined in the Recitals to this Agreement.

“Contracts” is defined in Section 6.10.

“Dissolution” is defined in the Recitals to this Agreement.

“East Plains” is defined in the preamble of this Agreement.

“Effective Time” is defined in Section 3.2.

“Environmental Laws” means all applicable foreign, federal, state and local laws (including the common law), rules, requirements and regulations relating to pollution, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or protection of human health as it relates to the environment including, without limitation, laws and regulations relating to Releases of Hazardous Materials, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials.

“GAAP” is defined in Section 6.7.

“Governmental Entity” is defined in Section 2.4.

“Hazardous Materials” means (A) any petroleum or any by-products or fractions thereof, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, any form of natural gas, explosives, and polychlorinated biphenyls; (B) any chemicals, materials or substances, whether waste materials, raw materials or finished products, which are now defined as or included in the definition of ‘hazardous substances,’ ‘hazardous wastes,’ ‘hazardous materials,’ ‘extremely hazardous substances,’ ‘restricted hazardous wastes,’ ‘toxic substances,’ ‘toxic pollutants,’ ‘contaminants,’ or words of similar import under any Environmental Law; and (C) any other chemical, material or substance, whether waste materials, raw materials or finished products, regulated or forming the basis of liability under any Environmental Law in a jurisdiction in which Baltic, Splitrock, the Surviving Corporation or any of their respective Subsidiaries operates.

“Initial Board” is defined in Section 3.5.

“Knowledge” means the current actual knowledge and that knowledge which would be gained with a reasonably diligent investigation.

“Liens” is defined in Section 6.2(a).

“Merger” is defined in the Recitals to this Agreement.

“Optimal Number” is defined in Section 3.5.

“Person” means any individual, corporation, limited liability company, partnership, estate, trust, sole proprietorship, unincorporated society or association, or any entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

“Proceeding” means any action, claim, suit, or arbitration or proceeding (including, without limitation, an investigation or partial proceeding, such as deposition), whether commenced or, to the knowledge of the applicable Person, threatened.

“Public Utility Commission” is defined in Section 2.4.

“Release” means any release, spill, emission, leaking, injection, deposit, disposal, discharge, dispersal, leaching or migration into the environment (including without limitation ambient air, atmosphere, soil, surface water, groundwater or property).

“South Dakota Code” means the South Dakota General Corporation Law, as amended.

“Splitrock” is defined in the preamble of this Agreement.

“Splitrock Patronage Capital” is defined in Section 4.2.

“Subsidiary” or “Subsidiaries” means, with respect to any party, any corporation, limited liability company, partnership, joint venture, or other business association or entity, at least ten percent (10.0%) of the voting securities or economic interests of which is directly or indirectly owned or controlled by such party or by any one or more of its Subsidiaries.

“Surviving Corporation” is defined in Section 3.1.

“Surviving Corporation Patronage Capital” is defined in Section 4.2.

“Tax” or “Taxes” is defined in Section 6.12(a).

“Tax Returns” is defined in Section 6.12(a).

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

BALTIC TELECOM COOPERATIVE

By: _____
Its President

SPLITROCK TELECOM COOPERATIVE, INC.

By: _____
Its President

EAST PLAINS TELECOM, INC.

By: _____
Its President

EXHIBIT A

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (the "Assumption") is made and entered into this ___ day of ___, 2002, by and between East Plains Telecom, Inc., a South Dakota corporation ("East Plains"), and Baltic Telecom Cooperative, a South Dakota cooperative corporation ("Baltic").

This Assumption is entered into pursuant to, and is subject to, the terms of the Agreement and Plan of Merger, of even date herewith, entered into by and among Splitrock Telecom Cooperative, Inc. ("Splitrock"), Baltic, and East Plains (the "Agreement and Plan of Merger"), under which, among other things, East Plains agreed to transfer substantially all of its assets and assign substantially all of its liabilities and obligations to Baltic in complete liquidation of East Plains pursuant to SDCL Chapter 47-7 and Section 332 of the Internal Revenue Code of 1986 as amended, and which Agreement and Plan of Merger, together with all of the exhibits, schedules, and attachments thereto, is hereby incorporated by this reference. Capitalized terms not otherwise defined in this Assumption shall have the meanings given to such terms in the Agreement and Plan of Merger.

NOW, THEREFORE, in consideration of the foregoing premises, the transactions contemplated by the Agreement and Plan of Merger and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, East Plains does hereby irrevocably assign to Baltic all of East Plains' right, title and interest in and to the liabilities to be assumed pursuant to Section 1.2 of the Agreement and Plan of Merger. Baltic does hereby assume and agree to observe, comply with, and perform in accordance with the terms of only those liabilities described in Section 1.2 of the Agreement and Plan of Merger. Baltic does not assume or have any responsibility for any liabilities or obligations of East Plains other than those assumed pursuant to Section 1.2 of the Agreement and Plan of Merger, and neither the execution, delivery and performance of the Agreement and Plan of Merger nor the execution, delivery and performance of this Assumption shall render Transferee liable for any such liability, obligation, undertaking, expense or agreement other than the liabilities expressly assumed pursuant to Section 1.2 of the Agreement and Plan of Merger.

East Plains does hereby further irrevocably assign to Baltic all of East Plains' right, title and interest in and to the assets described in section 1.2 of the Agreement and Plan of Merger, subject to all existing Liens. Baltic does hereby assume and agree to observe, comply with, and perform in accordance with the terms of each of the contracts, leases, easements, permits, licenses, authorizations, franchises, and other agreements assigned pursuant to this Assumption.

No provisions set forth in this Assumption shall be deemed to enlarge, alter or amend the terms and provisions of the Agreement and Plan of Merger. In the event of any conflict between

the provisions of this Assumption and provisions of the Agreement and Plan of Merger, the Agreement and Plan of Merger shall control.

This instrument and the rights of the parties under it shall be governed by and construed in accordance with laws of the State of South Dakota, without regard to its conflicts of laws principles and rules.

This Assumption may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the undersigned have executed this Assumption effective as of the date first written above.

TRANSFEROR:

EAST PLAINS TELECOM, INC.

Jeff Haaganson, President

TRANSFeree:

BALTIC TELECOM COOPERATIVE

Vincent Hanson, President

WARRANTY DEED - CORPORATION

EAST PLAINS TELECOM, INC., a South Dakota corporation, of 501 Second Street, P.O. Box 307, Baltic, South Dakota 57003-0307, for and in consideration of one dollar and other good and valuable consideration, GRANTS, CONVEYS AND WARRANTS to BALTIC TELECOM COOPERATIVE, a South Dakota corporation, of 501 Second Street, P.O. Box 307, Baltic, South Dakota 57003-0307, the following described real estate in the County of Lincoln, State of South Dakota:

_____, Lincoln County, South Dakota,
according to the recorded plat thereof.

Exempt from Transfer Fee pursuant to SDCL § 43-4-22(9)

Dated this 1st day of January, 2003.

EAST PLAINS TELECOM, INC.

<Corporate Seal >

Jeff Haaganson, Its President

STATE OF SOUTH DAKOTA)
 : ss
COUNTY OF MINNEHAHA)

On this, the 1st day of January, 2003, before me, the undersigned officer, personally appeared Jeff Haaganson, who acknowledged himself to be the President of East Plains Telecom, Inc., a corporation, and that he, as such officer being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation by himself as President.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

< SEAL >

Notary Public * South Dakota
My Commission expires: _____

WARRANTY DEED - CORPORATION

KNOW ALL MEN BY THESE PRESENTS: That EAST PLAINS TELECOM, INC., a South Dakota corporation having its principal office located at 501 Second Street, P.O. Box 307, Baltic, South Dakota 57003-0307, in consideration of the sum of One Dollar and other good and valuable consideration in hand paid and pursuant to a plan of reorganization, does hereby convey unto BALTIC TELECOM COOPERATIVE, a South Dakota corporation having its principal office located at 501 Second Street, P.O. Box 307, Baltic, South Dakota 57003-0307, the following described real estate situated in Sioux County, Iowa:

_____, Sioux County, Iowa.

No consideration – exempt from transfer fee pursuant to § 428A.2(14).

And the grantor does hereby covenant with the said grantee, and successors in interest, that said grantor holds said real estate by title in fee simple; that grantor has good and lawful authority to sell and convey the same; that said premises are free and clear of all liens and encumbrances whatsoever except as may be above stated; and said grantor covenants to warrant and defend the said premises against the lawful claims of all persons whomsoever, except as may be above stated.

Signed this 1st day of January, 2003.

EAST PLAINS TELECOM, INC., a South Dakota
corporation

Jeff Haaganson, President

STATE OF SOUTH DAKOTA)
 : SS
COUNTY OF MINNEHAHA)

On this, the 1st day of January, 2003, before me, a notary public in and for the County of Minnehaha, State of South Dakota, personally appeared Jeff Haaganson, to me personally known, who being by me duly sworn did say that that person is President of East Plains Telecom, Inc., a South Dakota corporation and that said instrument was signed on behalf of the said corporation by authority of its board of directors and the said President acknowledged the execution of said instrument to be the voluntary act and deed of said corporation by it voluntarily executed.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

< SEAL >

Notary Public * South Dakota
My Commission expires: _____

EXHIBIT C

BILL OF SALE

THIS BILL OF SALE (the "Bill of Sale") is made this ___ day of _____, 2002, by East Plains Telecom, Inc., a South Dakota corporation ("East Plains"), in favor of Baltic Telecom Cooperative, a South Dakota cooperative corporation ("Baltic").

This Bill of Sale is entered into pursuant to, and is subject to, the terms of the Agreement and Plan of Merger, of even date herewith, entered into by and among Splitrock Telecom Cooperative, Inc. ("Splitrock"), Baltic, and East Plains (the "Agreement and Plan of Merger"), under which, among other things, East Plains agreed to transfer substantially all of its assets and assign substantially all of its liabilities and obligations to Baltic in complete liquidation of East Plains pursuant to SDCL Chapter 47-7 and Section 332 of the Internal Revenue Code of 1986 as amended, and which together with all of the exhibits, schedules, and attachments thereto, is hereby incorporated by this reference. Capitalized terms not otherwise defined in this Assumption shall have the meanings given to such terms in the Agreement and Plan of Merger.

In consideration of the foregoing premises, the transactions contemplated by the Agreement and Plan of Merger, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, East Plains does hereby grant, bargain, sell, transfer, assign and convey unto Baltic, its successors and assigns, all of the right, title and interest of East Plains in and to the real and personal property described in Section 1.2 of the Agreement and Plan of Merger.

IN WITNESS WHEREOF, the undersigned has executed this Assignment effective as of the date first written above.

EAST PLAINS TELECOM, INC.

Jeff Haaganson, President

EXHIBIT "D"

AMENDMENTS TO BY-LAWS OF SPLITROCK TELECOM COOPERATIVE, INC. TO BE EFFECTED UPON MERGER OF SPLITROCK TELECOM COOPERATIVE, INC. AND BALTIC TELECOM COOPERATIVE

1.

Wherever the name of SPLITROCK TELECOM COOPERATIVE, INC., appears in the By-Laws, said name shall be deleted and replaced with ALLIANCE COMMUNICATIONS COOPERATIVE, INC.

2.

Section 1 of Article II of the By-Laws, shall be amended to read as follows:

II.

Section 1. Annual Meeting. A regular Annual Meeting of the members of this Cooperative shall be held annually at such place ~~and within the area served by the Cooperative~~ at such time and date as may be determined by the Board.

3.

III.

Directors

Section 1. General Powers. The business and affairs of the Cooperative will be managed by a Board of ~~seven~~ (not more than fourteen) Directors. The Board may exercise all powers of the Cooperative conferred upon them by law, the Articles of Incorporation and these By-Laws, but shall not exercise any power specifically given to the members by law, the Articles of Incorporation and these By-Laws.

Section 2. Qualifications. (Unchanged.)

Section 3. Director Districts. (Section 3 shall be deleted in its entirety and the following new language is substituted.)

Section 3. Director Districts. There are hereby established four (4) Director Districts. Directors shall be nominated and elected from such Director Districts in accordance with these By-Laws. The Director Districts are:

- (a) District 1 shall include all of the area within the Garretson Exchange.
- (b) District 2 shall include all of the area within the Brandon Exchange.
- (c) District 3 shall include all of the area within the Baltic and Crooks Exchanges.
- (d) District 4 shall include all of the area within the Alcester and Hudson Exchanges.
- (e) The optimum number of Directors in District 1 shall be three (3), with at least one (1) Director residing outside the City of Garretson; the optimum number of Directors in District 2 shall be three (3), with at least one (1) Director residing outside the City of Brandon; the optimum number of Directors in District 3 shall be four (4). The optimum number of Directors in District 4 shall be one (1).

Section 4. Number and Term of Directors. The initial Board of Directors shall be fourteen (14) and shall consist of the seven (7) members of the Board of Directors of Splitrock Telecom Cooperative, Inc., on December 31, 2002, and the seven (7) members of the Board of Directors of Baltic Telecom Cooperative on December 31, 2002. The Board shall be reduced to eleven (11) Directors within five (5) years from the effective date of merger in the following manner, to-wit:

(a) Prior to the election process commencing in the year 2003, the at large Director residing in District 1 shall become a regular Director in District 1, and existing Directors will be given an option to volunteer for one (1) five (5) year nonrenewable term. A Director who volunteers and is selected for this term will not be permitted to run for any Director position in the election to be held in the year 2008. If more than one Director from District 1 volunteers, the five (5) year voluntary Director will be selected by lot. If there are no Directors who volunteer for the five (5) year term, one (1) Director's name will be drawn from the existing Directors and that Director shall serve for a five (5) year term to the year 2008. That Director will not be disqualified from running for a Director office in the year 2008. All remaining Director positions shall come up for election in their normal rotation between the years 2003 and the year 2008.

(b) District 2, Brandon, is presently at the optimum number of Director positions and those Director positions will come up for election at their normal cycle between the years 2003 and 2008.

(c) District 3, prior to the election process commencing in 2003, three (3) Directors will be assigned five (5) year terms to the year 2008. If a Director volunteers for a five (5) year term, he will be permitted to serve until the year 2008 but will not be permitted to run for office in the year 2008. If there are insufficient volunteers, Directors shall be selected by lot to receive a five (5) year term. Directors who have not volunteered but are selected by lot will be permitted to run for any available position in the year 2008.

(d) A Director will not be elected from District 4 until the election in the year 2008, or until the other Districts reach their optimum, whichever occurs first.

(e) Current Director terms are for three (3) years and are staggered so that not all Director positions come up for election in the same year. In the event the results of the selection of the five (5) year Director terms in District 3 would result in an uneven allocation of Directors to be elected in any one year, the remaining Directors in District 3 shall draw by lots for different terms so as to equalize the terms coming up for election in any one year. Following the election in the year 2008, if the existing Director terms are not staggered so that no more than four (4) Directors come up for election in any one year, those Directors whose terms would end up resulting in a more than four (4) Directors coming up for election in any one (1) year shall draw by lot to alter the terms so that they are staggered as equally as possible.

(f) If, during the five (5) year period, any of the Directors with a five (5) year term shall resign or for any reason vacate said position, that Director position shall not be replaced, except as allowed in subparagraph (d) above.

Any other vacancy shall be filled in accordance with the provisions of these By-Laws.

SCHEDULE 2.3

NON -GOVERNMENTAL CONSENTS AND APPROVALS REQUIRED:

1. Rural Telephone Finance Corporation

SCHEDULE 2.4

GOVERNMENTAL CONSENTS AND APPROVALS REQUIRED:

1. South Dakota Public Utilities Commission
2. Iowa Board of Utilities
3. United States Department of Agriculture – Rural Utilities Service

SCHEDULE 6.1

<u>ENTITY NAME</u>	<u>STATES QUALIFIED IN</u>
1. Splitrock Telecom Cooperative, Inc.	South Dakota Minnesota

SCHEDULE 6.1

<u>ENTITY NAME</u>	<u>STATES QUALIFIED IN</u>
1. Baltic Telecom Cooperative	South Dakota

SCHEDULE 6.2(a)

	<u>SUBSIDIARIES</u>		
<u>ENTITY NAME</u>	<u>STATE OF INCORPORATION</u>	<u>STATES QUALIFIED IN</u>	<u>OWNERSHIP PERCENTAGE</u>
1. Alliance Telecommunications Corporation	Minnesota	Minnesota South Dakota Iowa	12.0%
2. Splitrock Properties, Inc.	South Dakota	South Dakota	100.0%
3. Splitrock Communications, Inc.	South Dakota	South Dakota Minnesota Iowa	100.0%
4. Splitrock PCS, Inc.	South Dakota	South Dakota	100.0%
5. Loretel Systems, Inc.	Minnesota	Minnesota North Dakota	12.0%
6. Felton Telephone Company	Minnesota	Minnesota	12.0%
7. Sioux Valley Telephone Company	South Dakota	South Dakota Minnesota	12.0%
8. Hills Telephone Company	Minnesota	Minnesota Iowa	12.0%
9. Sleepy Eye Telephone Company	Minnesota	Minnesota	12.0%
10. Hager City Telephone Company	Wisconsin	Wisconsin	12.0%
11. Valley Cablevision of SD, Inc.	South Dakota	South Dakota	12.0%

SCHEDULE 6.2(a)

	<u>ENTITY NAME</u>	<u>STATE OF INCORPORATION</u>	<u>STATES QUALIFIED IN</u>	<u>OWNERSHIP PERCENTAGE</u>
1.	East Plains Telecom, Inc.	South Dakota	South Dakota Iowa	100.0%

SCHEDULE 6.5

NON -GOVERNMENTAL CONSENTS AND APPROVALS REQUIRED:

Baltic Telecom Cooperative:

None.

Splitrock Telecom Cooperative, Inc.

None.

SCHEDULE 6.6

GOVERNMENTAL CONSENTS AND APPROVALS REQUIRED:

Baltic Telecom Cooperative

1. South Dakota Public Utilities Commission
2. Iowa Board of Utilities
3. United States Department of Agriculture – Rural Utilities Service

Splitrock Telecom Cooperative, Inc.

1. South Dakota Public Utilities Commission
2. United States Department of Agriculture – Rural Utilities Service

SCHEDULE 6.8

MATERIAL CHANGES AND SUPPLEMENTAL DISCLOSURES:

Baltic Telecom Cooperative:

Baltic Telecom Cooperative has received loan commitments in the amount of \$8,226,000.00 from the Rural Utilities Service.

Pursuant to the provisions of this Agreement and SDCL Chapter 47-7, Baltic Telecom Cooperative intends to dissolve its wholly-owned subsidiary, East Plains Telecom, Inc., on January 1, 2003.

Splitrock Telecom Cooperative, Inc.

None.

SCHEDULE 6.10

MATERIAL CONTRACTS:

Baltic Telecom Cooperative

None.

Splitrock Telecom Cooperative, Inc.

None.

ARTICLES OF MERGER
SPLITROCK TELECOM COOPERATIVE, INC., AND
BAL TIC TELECOM COOPERATIVE

These Articles of Merger are executed pursuant to the provisions of SDCL 47-21-30.

I.

The name of the merging cooperative is BAL TIC TELECOM COOPERATIVE, and the address of its principal office is 501 2nd Street, P.O. Box 307, Baltic, South Dakota 57003-0307.

II.

The name of the surviving cooperative and the address of its principal office is SPLITROCK TELECOM COOPERATIVE, INC., 612 Third Street, Garretson, South Dakota 57030, whose name will be changed to ALLIANCE COMMUNICATIONS COOPERATIVE, INC.

III.

That BAL TIC TELECOM COOPERATIVE and SPLITROCK TELECOM COOPERATIVE, INC. hereby agree to the merger as hereinafter specified and set forth.

IV.

The merger of BAL TIC TELECOM COOPERATIVE and SPLITROCK TELECOM COOPERATIVE, INC. shall be effective at 12:02 a.m. on January 1, 2003, without regard to the date on which these ARTICLES OF MERGER are recorded in the Office of the Secretary of State of the State of South Dakota.

V.

The names and addresses of the Directors of the surviving cooperative are as follows,

to-wit:

Leon S. Brende
400 Johnson Ave.
P.O. Box 253
Baltic, SD 57003

Todd Dawley
48530 263rd Street
Valley Springs, SD 57068

Alan Eitreim
P.O. Box 72
Garretson, SD 57030

Amy Erickson
48494 260th Street
Valley Springs, SD 57068

Jeff Haagenson
47197 253rd Street
Baltic, SD 57003

Linda Hansen
48655 253rd Street
Garretson, SD 57030

Vince Hanson
25483 469th Avenue
Crooks, SD 57020

Steve Howe
24884 484th Avenue
Garretson, SD 57030

Terry Johnson
100 South Leslie Drive
Garretson, SD 57030

Darryll Larson
46940 257th Street
Crooks, SD 57020

Duane Rippentrop
1205 E. Lark Drive
Brandon, SD 57005

Bruce Vollan
25547 Rock Ridge Avenue
Renner, SD 57055

Bob Vosburg
47339 256th Street
Renner, SD 57055

Lois Wuestewald
P.O. Box 84
221 First Avenue
Lyons, SD 57041-0084

VI.

The terms and conditions of the merger and the mode of carrying the same into effect, including the manner in which members of the merging cooperative may or shall become members of the surviving cooperative are as set forth in the Plan of Merger duly adopted by the Boards of Directors of both cooperatives and the membership of both cooperatives, a copy of which Plan of Merger is attached hereto and incorporated herein by reference.

VII.

On July 22, 2002, Notices of a Special Meeting were mailed to each and every member of BALTIC TELECOM COOPERATIVE including a summary of the proposed Plan of Merger and Articles of Merger to be voted on by the members, as well as a notification that a full copy of the proposed Agreement and Plan of Merger is posted on the website of the cooperative and that copies are available at the offices of the cooperative.

On July 22, 2002, Notices of a Special Meeting were mailed to each and every member of SPLITROCK TELECOM COOPERATIVE, INC., including a summary of the proposed Plan of Merger and Articles of Merger to be voted on by the members, as well as a notification that a full copy of the proposed Agreement and Plan of Merger is posted on the website of the cooperative and that copies are available at the offices of the cooperative.

On August 10, 2002, at Baltic, South Dakota, a lawful quorum of the members of BALTIC TELECOM COOPERATIVE being actually present at the Special Meeting, duly adopted said proposed Plan of Merger by 174 votes for and 11 votes against; and

On August 10, 2002, at Brandon, South Dakota, a lawful quorum of the members of SPLITROCK TELECOM COOPERATIVE, INC., being actually present at the Special Meeting, duly adopted said proposed Plan of Merger by 145 votes for and 3 votes against.

VIII.

The Plan of Merger, as attached hereto, was duly declared passed and adopted by the members of both cooperatives by the required number of votes.

BALTIC TELECOM COOPERATIVE

By: _____
Vince Hanson, Its President

(CORPORATE SEAL)

Secretary

SPLITROCK TELECOM COOPERATIVE, INC.

By: _____
Amy Erickson, Its President

(CORPORATE SEAL)

Secretary

STATE OF SOUTH DAKOTA)
 : SS
COUNTY OF MINNEHAHA)

VINCE HANSON, being first duly sworn upon oath, deposes and states that he is the President of BALTIC TELECOM COOPERATIVE and that the procedures followed by both SPLITROCK TELECOM COOPERATIVE, INC., and BALTIC TELECOM COOPERATIVE in effecting the merger of the two (2) cooperatives are, to the best of his knowledge, information and belief, lawful and correct and the parties have correctly followed all the statutory provisions as provided in SDCL 47-21-29 and 47-21-30 under the laws and statutes of the State of South Dakota.

BALTIC TELECOM COOPERATIVE

Vince Hanson, President

Subscribed and sworn to before me this ____ day of _____, 2002.

(SEAL)

Notary Public, State of South Dakota
My Commission Expires: _____

STATE OF SOUTH DAKOTA)
 : SS
COUNTY OF MINNEHAHA)

ARNY ERICKSON, being first duly sworn upon oath, deposes and states that he is the President of SPLITROCK TELECOM COOPERATIVE, INC., and that the procedures followed by both SPLITROCK TELECOM COOPERATIVE, INC., and BALTIC TELECOM COOPERATIVE in effecting the merger of the two (2) cooperatives are, to the best of his knowledge, information and belief, lawful and correct and the parties have correctly followed all the statutory provisions as provided in SDCL 47-21-29 and 47-21-30 under the laws and statutes of the State of South Dakota.

SPLITROCK TELECOM COOPERATIVE, INC.

Arny Erickson, President

Subscribed and sworn to before me this ____ day of _____, 2002.

(SEAL)

Notary Public, State of South Dakota
My Commission Expires: _____

TC02-159
RECEIVED

BEFORE THE SOUTH DAKOTA
PUBLIC UTILITIES COMMISSION

SEP 18 2002

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE MERGER OF
BAL TIC TELECOM COOPERATIVE WITH
SPLITROCK TELECOM COOPERATIVE
AND THE DISSOLUTION OF EAST
PLAINS TELECOM, INC.

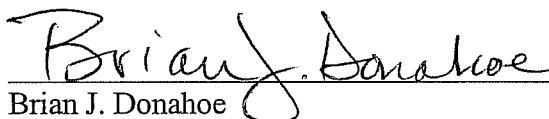
DOCKET NO. _____

CERTIFICATE OF SERVICE OF
APPLICATION FOR APPROVAL
OF A TRANSFER OF TELEPHONE
EXCHANGES AND AMENDED
CERTIFICATE OF AUTHORITY

The undersigned hereby certifies that one original and ten true and correct copies of the Application for Approval of a Transfer of Telephone Exchanges and Amended Certificate of Authority was served upon the Public Utilities Commission, Capitol Building, 1st Floor, 500 East Capitol Ave., Pierre, SD 57501-5070, by depositing the same in the United States mail, postage prepaid, this 16th day of September, 2002.

Dated this 16th day of September, 2002.

CUTLER & DONAHOE, LLP
Attorneys at Law



Brian J. Donahoe

Ryan J. Taylor

100 N. Phillips Ave., 9th Floor

Sioux Falls, South Dakota 57104-6725

Telephone (605) 335-4950

Facsimile (605) 335-4961

Attorneys for Applicants East Plains Telecom, Inc.
and its parent, Baltic Telecom Cooperative, Inc.

South Dakota Public Utilities Commission
WEEKLY FILINGS
For the Period of September 12, 2002 through September 18, 2002

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

TELECOMMUNICATIONS

TC02-159 **In the Matter of the Application of Splitrock Telecom Cooperative, Inc., Baltic Telecom Cooperative and East Plains Telecom, Inc. for Approval of the Sale, by Merger and Dissolution, of the Alcester, Hudson, Baltic and Crooks Telephone Exchanges and for Approval of an Amendment to Splitrock Telecom Cooperative, Inc.'s Certificate of Authority.**

On September 18, 2002, Splitrock Telecom Cooperative, Inc., Baltic Telecom Cooperative, and East Plains Telecom, Inc. filed an application with the Commission to approve the sale by merger and dissolution, of the Alcester, Hudson, Baltic, and Crooks exchanges, into Splitrock Telecom Cooperative, Inc. as of January 1, 2003. Splitrock Telecom Cooperative, Inc. will be renamed Alliance Communications Cooperative, Inc.

Staff Analyst: Harlan Best
Staff Attorney: Karen E. Cremer
Date Docketed: 09/18/02
Intervention Deadline: 10/04/02

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You may subscribe or unsubscribe to the PUC mailing lists at <http://www.state.sd.us/puc>

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

IN THE MATTER OF THE APPLICATION OF)	ORDER FOR AND NOTICE
SPLITROCK TELECOM COOPERATIVE, INC.,)	OF HEARING
BALTIC TELECOM COOPERATIVE AND EAST)	
PLAINS TELECOM, INC. FOR APPROVAL OF)	TC02-159
THE SALE, BY MERGER AND DISSOLUTION,)	
OF THE ALCESTER, HUDSON, BALTIC AND)	
CROOKS TELEPHONE EXCHANGES AND)	
FOR APPROVAL OF AN AMENDMENT TO)	
SPLITROCK TELECOM COOPERATIVE, INC.'S)	
CERTIFICATE OF AUTHORITY)	

On September 18, 2002, Splitrock Telecom Cooperative, Inc. (Splitrock) , Baltic Telecom Cooperative (Baltic) and East Plains Telecom, Inc. (East Plains) (together, "Applicants") filed an Application for Approval of a Transfer of Telephone Exchanges and Amended Certificate of Authority seeking approval by the South Dakota Public Utilities Commission (Commission) of a transaction in which (i) East Plains will be dissolved and its assets, including its local telephone exchanges will be distributed to Baltic, East Plains's sole shareholder, and (ii) following such dissolution and distribution, Baltic will merge into Splitrock in accordance with the Agreement and Plan of Merger between the parties. Following the merger, Splitrock will change its name to Alliance Communications Cooperative, Inc. The application further states that Splitrock and Baltic are presently parties to a Management Agreement pursuant to which Splitrock provides management and administrative services to Baltic and East Plains. The application states that since Applicants are currently operated under common management, there will be no noticeable change in the management or operations of Applicants following the transaction. Splitrock also seeks Commission approval of an amendment to its Certificate of Authority to authorize it to provide local exchange telephone service in the exchanges to be transferred to it as a result of the transaction.

The application states that Splitrock operates two local telephone exchanges serving Brandon and Garretson and the surrounding areas, that Splitrock Properties, Inc., Splitrock's wholly-owned subsidiary, operates two local telephone exchanges serving Howard, Oldham and Ramona and the surrounding areas, that Baltic operates two local telephone exchanges serving Baltic and Crooks and the surrounding areas (Baltic Exchanges) and East Plains operates two local telephone exchanges serving Alcester and Hudson (East Plains Exchanges). As a result of the proposed merger transaction, the Baltic and East Plains Exchanges will be transferred to Splitrock.

On September 19, 2002, the Commission electronically transmitted notice of the filing and the intervention deadline of October 4, 2002, to interested individuals and entities. No petitions to intervene or comments were filed.

The Commission has jurisdiction in this matter pursuant to SDCL Chapters 1-26 and 49-31, specifically 1-26-17.1, 1-26-18, 1-26-19, 1-26-19.1, 49-31-2, 49-31-3, 49-31-7, 49-31-7.1, 49-31-59, 49-31-75, 49-31-77 and 49-31-89 through 49-31-97, inclusive. The Commission may rely upon any or all of these or other laws of this state in making its determination. Because of its public interest responsibilities under SDCL 49-31-59, the Commission deems it in the public interest to hold a public hearing on the application in the local exchange service area despite the absence of intervention by any party.

A hearing will be held on the application on October 15, 2002, at 7:30 p.m., at the American Legion, 504 North Main, Garretson, South Dakota. The issues at the hearing will be whether the sales of each of the Baltic Exchanges and each of the East Plains Exchanges through dissolution and merger into Splitrock should be approved and whether an amendment to Splitrock's Certificate of Authority should be approved authorizing it to provide local exchange service in the service areas

of the Baltic and East Plains Exchanges. Pursuant to SDCL 49-31-59, the Commission must separately approve the sale of each exchange after considering the following: the protection of the public interest, the adequacy of local telephone service, the reasonableness of rates for local service, the provision 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, tele-medicine, and distance learning in rural South Dakota. In determining whether to grant the amendment to the Certificate of Authority, the Commission will consider whether Splitrock possesses the financial, managerial and technical capabilities to provide local exchange services to the Baltic and East Plains Exchanges.

The public is invited to participate by testifying at the hearing on a non-party basis pursuant to ARSD 20:10:01:15.06. The order of testimony will be: (1) Applicants; (2) Commission Staff; and (3) the Public. All persons testifying, including non-party members of the public, will be subject to cross-examination by the parties to the proceeding.

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 will be forfeited if not exercised at the hearing. If a party or its representative fails to appear at the time and place set for the hearing, the Final Decision will be based solely on testimony and evidence, if any, presented 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 and the public, will make Findings of Fact, Conclusions of Law, and a Final Decision. As a result of the hearing, the Commission may either approve or reject the proposed sale of any or all of the Baltic and East Plains Exchanges. The Final Decision made by the Commission may be appealed by any party to the Circuit Court and the South Dakota Supreme Court as provided by law. It is therefore

ORDERED, that a hearing shall be held at the time and place specified above on the application for approval of the transfer by Baltic and East Plains of the Baltic and East Plains Exchanges to Splitrock and the amendment of Splitrock's Certificate of Authority.

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 4th day of October, 2002.

CERTIFICATE OF SERVICE	
The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.	
By:	<u><i>Nellie Kaelbs</i></u>
Date:	<u>10/4/02</u>
(OFFICIAL SEAL)	

BY ORDER OF THE COMMISSION:

James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner

Robert K. Sahr
ROBERT K. SAHR, Commissioner

**SOUTH DAKOTA PUBLIC UTILITIES
COMMISSION**

**WHEN: OCTOBER 15, 2002 at 7:30
P.M. (CDT)**

**WHERE: GARRETSON AMERICAN
LEGION, GARRETSON, SD**

**ISSUE: APPROVAL OF MERGER OF
BALTIC TELECOM COOPERATIVE,
INC. AND EAST PLAINS TELECOM,
INC. INTO SPLITROCK TELECOM
COOPERATIVE, INC.**

The South Dakota Public Utilities Commission (Commission) will hold a public hearing on October 15, 2002, at 7:30 P.M. (CDT), in the Garretson American Legion, 504 North Main, Garretson, South Dakota to consider whether to approve the dissolution of East Plains Telecom, Inc. (East Plains) into its parent, of Baltic Telecom Cooperative, Inc. (Baltic), and the follow-on merger of Baltic (including the East Plains operations) into Splitrock Telecom Cooperative, Inc. (Splitrock). The dissolution and merger, if approved, will result in the transfer of ownership of the local telephone exchanges in South Dakota owned by Baltic and East Plains to Splitrock.

On September 18, 2002, Splitrock, Baltic and East Plains filed a joint application requesting the Commission to approve a transaction in which East Plains will dissolve into Baltic, and then Baltic (including East Plains) will be merged into Splitrock. The application states that after the merger, Splitrock will change its name to Alliance Communications Cooperative, Inc. According to the application, Baltic, East Plains and Splitrock are currently operating under a common management agreement, and there will be no change in the management or operation of the companies' operations as a result of the transaction. After the merger, the terms, conditions and prices for local exchange service will remain in effect, and members of Baltic and customers of East Plains will become members of Splitrock. The application further states that no member of either Baltic or Splitrock will lose any capital credits or any entitlement to capital credits as a result of the transaction. The members of Baltic and Splitrock each approved the transaction on August 10, 2002, by votes of 174 to 11 and 145 to 3, respectively.

The following Baltic and East Plains local exchanges will be transferred to Splitrock as a result of this transaction:

Baltic: Baltic Exchange and Crooks Exchange, serving the communities of

persons testifying, including non-party members of the public, may be cross-examined by the parties to the proceeding.

The issues at the hearing will be whether the transfer of ownership of each of the Baltic and East Plains Exchanges should be approved. SDCL 49-31-59 requires that the Commission must separately approve the sale of each exchange after considering the following: the protection of the public interest, the adequacy of local telephone service, the reasonableness of rates for local service, the provision 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, tele-medicine, and distance learning in rural South Dakota.

After considering the evidence and testimony presented by the parties and the public at the hearing, the Commission will make a formal final decision. As a result of the hearing, the Commission may either approve or reject the proposed sale of any or all of the Baltic and East Plains local exchanges.

Pursuant to the Americans with Disabilities Act, this hearing will be 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.

The public may obtain copies of the application, non-confidential filings in the case and the formal Order for and Notice of Hearing by contacting the South Dakota Public Utilities Commission, 500 E. Capitol Avenue, Pierre, SD 57501; ph. (800) 332-1782 or (605) 773-3201; fax (605) 773-3809; e-mail: debra.elfoson@state.sd.us.

AFFIDAVIT OF PUBLICATION

State of South Dakota

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County of Minnehaha

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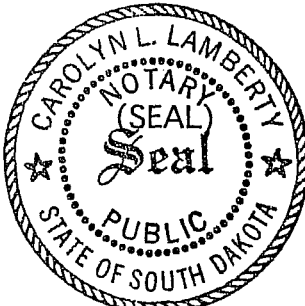
OCT 15 2002

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

Monica Rye of said county, being, duly sworn, on oath, says: That he/she is the publisher or an employee of the publisher of the **Baltic Beacon**, a legal weekly newspaper, published by Prairie Publications in the City of Dell Rapids, in said County of Minnehaha, and State of South Dakota; that he/she has full and personal knowledge of the facts herein stated; that said newspaper is a legal newspaper as defined in SDCL 17-2-2.1 through 17-2-2.4 inclusive; that said newspaper has been published within the said County of Minnehaha and State of South Dakota, for at least one year next prior to the first publication of the attached public notice, and that the notice, order or advertisement, a printed copy of which, taken from the paper in which the same was published, and which is hereto attached and made a part of this affidavit, was published in said newspaper for 1 successive week(s) to wit:

October 9 2002

That the full amount of the fee charged for the publication of the attached public notice insures to the sole benefit of the publisher or publishers; 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 person whomsoever; that the fees charged for the publication thereof are \$ 45.54.



Monica Rye
Subscribed and sworn to before me this 9th day of October 2002

Carolyn L. Lamberty
Notary Public in and for the County of Minnehaha, South Dakota. My commission expires November 5, 2004.

AFFIDAVIT OF PUBLICATION

State of South Dakota

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County of Minnehaha

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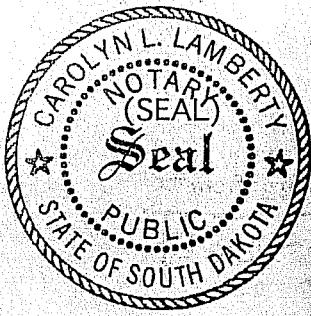
OCT 15 2002

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

Monica Rye of said county, being, duly sworn, on oath, says: That he/she is the publisher or an employee of the publisher of the **Brandon Valley Challenger**, a legal weekly newspaper, published by Prairie Publications in the City of Dell Rapids, in said County of Minnehaha, and State of South Dakota; that he/she has full and personal knowledge of the facts herein stated; that said newspaper is a legal newspaper as defined in SDCL 17-2-2.1 through 17-2-2.4 inclusive; that said newspaper has been published within the said County of Minnehaha and State of South Dakota, for at least one year next prior to the first publication of the attached public notice, and that the notice, order or advertisement, a printed copy of which, taken from the paper in which the same was published, and which is hereto attached and made a part of this affidavit, was published in said newspaper for 1 successive week(s) to wit:

_____	October 9	2002
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_____		20
_____		20
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_____		20

That the full amount of the fee charged for the publication of the attached public notice insures to the sole benefit of the publisher or publishers; 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 person whomsoever; that the fees charged for the publication thereof are \$ 45.54.



Monica Rye
Subscribed and sworn to before me this 9th day of October 2002

Carolyn L. Lamberty
Notary Public in and for the County of Minnehaha, South Dakota. My commission expires November 5, 2004.

RECEIVED

OCT 28 2002

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

DOCKET NO: TC02-159

* * * * *

IN THE MATTER OF THE APPLICATION
OF SPLITROCK TELECOM COOPERATIVE, INC.,
BAL TIC TELECOM COOPERATIVE AND EAST
PLAINS TELECOM, INC. FOR APPROVAL
OF THE SALE, BY MERGER AND DISSOLUTION,
OF THE ALCESTER, HUDSON, BAL TIC AND
CROOKS TELEPHONE EXCHANGES AND FOR
APPROVAL OF AN AMENDMENT TO SPLITROCK TELECOM
COOPERATIVE, INC.'S CERTIFICATE OF AUTHORITY,

Garretson American Legion
Garretson, South Dakota
October 15, 2002
7:30 o'clock p.m.

* * * * *

H E A R I N G

* * * * *

BEFORE: The South Dakota Public Utilities Commission

Mr. James Burg, Chairman
Ms. Pamela Nelson, Commissioner
Mr. Robert Sahr, Commissioner

APPEARANCES:

Mr. Alan F. Glover
Glover, Helsper & Rasmussen
100 22nd Avenue, #200
Brookings, SD 57006

ORIGINAL

for Splitrock Telecom Cooperative, Inc.;

Mr. Brian J. Donahoe
Mr. Ryan J. Taylor
Cutler & Donahoe
100 N. Phillips Avenue, Suite 901
Sioux Falls, SD 57104

for Baltic Telecom Cooperative and East
Plains Telecom, Inc.;

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APPEARANCES: (Continued)

Ms. Karen E. Cremer
Attorney at Law
Public Utilities Commission
500 E. Capitol
Pierre, SD 57501

for the Public Utilities Commission.

ALSO PRESENT: Mr. Greg Rislov, Commission's
Technical Advisor
Mr. John Smith, Commission's Legal
Counsel

1 (Petitioner Exhibit Nos. 1, 2 and 3 were marked for
2 identification.)

3 CHAIRMAN BURG: We'll go ahead and start the
4 meeting. Good evening. My name is Jim Burg. I'm
5 the chairman of the South Dakota Public Utilities
6 Commission and I will be presiding over the hearing
7 here tonight. I'd like to thank all you for coming.

8 At this time I'd like to introduce Commissioner
9 Pam Nelson and Bob Sahr who is here as well. Also we
10 have Greg Rislov, Commission's Technical Advisor, and
11 John Smith, Commission's Legal Counsel.

12 At this time I'll begin the hearing for Docket
13 TC02-159, In the Matter of the Application of
14 Splitrock Telecom Cooperative, Incorporated, Baltic
15 Telecom Cooperative, and East Plains Telecom,
16 Incorporated for approval of the sale, by merger and
17 dissolution, of the Alcester, Hudson, Baltic, and
18 Crooks Telephone Exchanges, and for approval of
19 amendment to the Splitrock Telecom Cooperative
20 Incorporated's Certificate of Authority. The time is
21 approximately 7:30 p.m. The date is October 15,
22 2002. And the location of the hearing is at
23 Garretson American Legion, Garretson, South Dakota.

24 This hearing was noticed pursuant to the
25 commission's order for and notice of hearing issued

1 October 4, 2002. We also published notice of the
2 hearing in several area newspapers to advise the
3 public of the hearing. The reasons for this hearing
4 is that Splitrock, Baltic, and East Plains are
5 proposing that East Plains dissolve as a corporation
6 and distribute its assets to Baltic, its parent
7 corporation, followed by the merger of Baltic into
8 Splitrock.

9 This transaction, if approved, will result in
10 the transfer of the Alcester, Hudson, Baltic, and
11 Crooks Local Telephone Exchanges now owned by East
12 Plains Telecom, Incorporated, and Baltic Telecom
13 Cooperative to Splitrock Telecom Cooperative,
14 Incorporated.

15 The question to be decided by the commission are
16 whether the sales of each of the local telephone
17 exchanges owned by East Plains Telecom and Baltic
18 Telecom Cooperative, Incorporated, into Splitrock,
19 Incorporated, should be approved.

20 South Dakota law requires the commission to vote
21 separately on the sale of each local exchange after
22 considering the following factors: Protection of the
23 public interest, the adequacy of local telephone
24 service, the reasonableness of rates for local
25 service, the provision of 911, enhanced 911, and

1 other public safety services, the payment of taxes,
2 and the ability of the local exchange company to
3 provide modern state-of-the-art telecommunication
4 services who will help promote economic development,
5 telemedicine, and distance learning in South Dakota.

6 All parties have the right to be present. All
7 parties present have the right to be present and to
8 be represented by an attorney and to present
9 testimony and other evidence. Following the
10 presentations by the applicants and the commission
11 staff we will take comments from members of the
12 public. And I would like to encourage anyone in
13 attendance to feel free to voice their questions or
14 concerns at that time.

15 If anyone offers factual testimony we may ask
16 that you be sworn in so that we can make your
17 testimony part of the evidence in the case.

18 State law requires that the parties be given the
19 opportunity to cross-examine anyone who presents
20 sworn testimony. At the conclusion of the hearing
21 the commission may decide to vote on the issue
22 tonight or we may decide to take the matter under
23 advisement to give us a chance to study the evidence
24 presented tonight.

25 Commission's final decision may be appealed by

1 the parties to the state Circuit Court and the state
2 Supreme Court. John Smith will act as commission
3 counsel. He may provide recommended rulings on
4 procedure and evidentiary hearings. Commission may
5 overrule its counsel's preliminary rulings throughout
6 the hearing, but if they're not overruled the
7 preliminary rulings will become the final rulings.

8 At this time I will have John Smith take the
9 appearances of the parties and conduct the hearing.

10 MR. SMITH: Thank you, Mr. Chairman. Because
11 I'm assuming this is going to be a relatively
12 friendly proceeding I'm going to keep it as informal
13 as we possibly can if no one minds that. Does anyone
14 have an objection to that in the audience? With
15 that why don't we have the introduction of the
16 Splitrock, Baltic, East Plains group. Would you
17 please introduce yourselves?

18 MR. GLOVER: I'm Al Glover, attorney for
19 Splitrock, attorney from Brookings, South Dakota.
20 Present with me is Ryan Taylor and Brian Donahoe of
21 Cutler & Donahoe who are counsel for Baltic and East
22 Plains.

23 MR. SMITH: Thank you. Commission staff?

24 MS. CREMER: Karen Cremer from staff and Harlan
25 Best.

1 MR. SMITH: Thank you. And without further ado
2 let's begin.

3 MR. GLOVER: Thank you. I'm going to waive any
4 opening statement. I would only make a preliminary
5 statement. I guess this is the lawyer in me on this
6 that we recognize that the counsel -- that the
7 commission has entered into these proceedings on the
8 premise of a sale. We want to emphasize that we
9 consider this, this procedure that we went through,
10 have gone through to this date, to be a merger which
11 is a little bit different. But be that as it may,
12 we're certainly prepared to present all of the
13 evidence regarding this transaction to the commission
14 and to show that it is in the public interest and
15 that it meets all of the qualifications that the
16 commission will consider under these circumstances.
17 So with that --

18 CHAIRMAN BURG: Can I clarify that, John? I
19 thought of that as I was reading through, too. Is it
20 technically a sale or is it a merger? I mean, I
21 know the two companies are merging. I understand
22 that. But is it technically a sale or is it actually
23 a merger?

24 MR. GLOVER: Well, from a technical standpoint,
25 Mr. Commissioner, I'm of the opinion it is a merger.

1 There is no consideration taking place with the
2 transfer of assets. It's a merger of one corporation
3 -- well, initially the dissolution of a corporation
4 into a parent corporation. And then immediately
5 after that the dissolution of that corporation and
6 the merger of that corporation with all its assets
7 into Splitrock, which is an existing cooperative
8 under the statutes of the State of South Dakota.

9 CHAIRMAN BURG: For purposes of our decision I
10 don't think it makes any difference.

11 MR. GLOVER: I don't either. So with that it's
12 my intention to call Don Snyders who is the general
13 manager of Splitrock.

14 DON SNYDERS,
15 called as a witness, being first duly sworn,
16 testified and said as follows:

17 DIRECT EXAMINATION BY MR. GLOVER:

18 Q. State your name for the record, please.

19 A. Don Snyders.

20 Q. And, Don, where do you reside?

21 A. 133 Leslie Drive, Garretson, South Dakota 57030.

22 Q. What is your occupation, sir?

23 A. I'm the general manager of Splitrock Telecom
24 Cooperative and also Baltic Telecom Cooperative.

25 Q. How is it that you are manager of both cooperatives?

1 A. There was a situation over in Baltic where they
2 required management services. And they approached
3 myself and some of the board of directors over in
4 Splitrock. That was back in 1999, oh, I would say
5 about November. At that time I just -- we agreed
6 through a management service contract between the two
7 companies that I would provide services to Baltic for
8 an interim period. It worked out fairly well. So
9 the board at Baltic decided that they would probably
10 enter into a long-term contract, a two-year contract
11 for management services with Splitrock Telecom.

12 Q. So during this period of time, Don, you've
13 essentially worked for two boards of directors, have
14 you not?

15 A. That's correct.

16 Q. And in the capacity as a manager?

17 A. That's correct.

18 Q. How long have you served as a manager of the
19 telephone cooperative?

20 A. At Splitrock?

21 Q. Yes.

22 A. Thirteen years.

23 Q. Now, Baltic is a cooperative. Where is their
24 headquarters?

25 A. In Baltic, South Dakota.

- 1 Q. Okay. And about how many exchanges do they serve?
- 2 A. They serve Baltic and Crooks. And they also have a
3 subsidiary company called East Plains and that serves
4 Alcester and Hudson.
- 5 Q. Takes up approximately how many lines?
- 6 A. Baltic and Crooks is approximately about 1,800 to
7 1,900. Alcester-Hudson is around 1,200.
- 8 Q. And Alcester-Hudson, is that a separate corporation?
- 9 A. Yes, it is.
- 10 Q. And that was called what?
- 11 A. East Plains Telecom, Inc.
- 12 Q. And who is the board of East Plains?
- 13 A. It's the same directors as the board of Baltic with
14 the exception of Gary Scott, who is an additional
15 director of East Plains. He lives in Alcester.
- 16 Q. So East Plains -- those exchanges were purchased by
17 Baltic sometime earlier. Is that correct?
- 18 A. Yes, that's correct. 1997.
- 19 Q. And based upon the plan that was filed with the
20 Secretary of State what is to happen to East Plains
21 Corporation?
- 22 A. East Plains is supposed -- is going to dissolve and
23 merge into Baltic Telecom January 1, 2003.
- 24 Q. And so all of those patrons of East Plains will then
25 become members of Baltic. Is that correct?

- 1 A. That's correct.
- 2 Q. Members of your cooperative or that cooperative.
- 3 A. Of Baltic Telecom, yes.
- 4 Q. For a brief second?
- 5 A. For one minute.
- 6 Q. And then immediately after that, based upon the filed
7 plan of merger which has been approved, then those
8 members of Baltic will become members of Splitrock.
9 Is that correct?
- 10 A. That's correct.
- 11 Q. Splitrock is headquartered where?
- 12 A. In Garretson, South Dakota.
- 13 Q. And at the present time they are operating how many
14 exchanges?
- 15 A. Currently we have Garretson and Brandon, and we have
16 a subsidiary company called Splitrock Properties
17 which serves Howard and Oldham, Ramona.
- 18 Q. And that subsidiary corporation will remain a
19 subsidiary corporation of Splitrock?
- 20 A. That's correct.
- 21 Q. You believed the plan of merger -- and I'll be
22 introducing exhibits of this, Don -- but under the
23 plan of -- before I get to that. How many lines does
24 Splitrock presently have?
- 25 A. The Splitrock parent company has about 5,300;

1 Properties' is around 1,600.

2 Q. Sixteen hundred?

3 A. Yes.

4 Q. And by "Properties" you're referring to?

5 A. Splitrock Properties.

6 Q. Okay.

7 A. The subsidiary company.

8 Q. I'm going to show you what we've had marked as
9 Exhibit 1, Don. Do you recognize that document?

10 A. Yes, I do.

11 Q. What is that document?

12 A. It's a filing for the merger of Baltic, Splitrock,
13 and the dissolution of East Plains.

14 Q. This is an application to the commission for the
15 approval. Is that correct?

16 A. That's correct.

17 Q. And have you read through that document?

18 A. Yes, I have.

19 Q. And is the information contained in that document
20 accurate and correct to the best of your knowledge?

21 A. Yes, it is.

22 Q. And this is signed by Mr. Donahoe as attorney for
23 Baltic and for East Plains and by myself as your
24 attorney. Is that correct?

25 A. That's correct.

1 MR. GLOVER: We'll offer Exhibit 1.

2 MR. SMITH: Thank you.

3 MS. CREMER: Staff has no objection.

4 MR. SMITH: Exhibit 1 is admitted.

5 (BY MR. GLOVER:)

6 Q. After you filed that application you also received a
7 request from Harlan Best of the commission for
8 information, additional information in support of the
9 application. Is that correct?

10 A. That's correct.

11 Q. I'm going to show you what has been marked as
12 Exhibit 2.

13 A. This is the responses to Harlan's questions.

14 Q. And this is the responses. Did you go through all of
15 those responses?

16 A. Yes, I have.

17 Q. And are those answers that are contained therein true
18 and correct to the best of your knowledge and
19 information?

20 A. Yes, they are.

21 Q. And this is responded to by Mr. Taylor, but you
22 participated in the preparation and responses to all
23 of these questions?

24 A. Yes, I did.

25 MR. GLOVER: We offer Exhibit 2.

1 MS. CREMER: Staff has no objection.

2 MR. SMITH: Exhibit 2 is received.

3 (BY MR. GLOVER:)

4 Q. Finally, Don, I'm going to show you what is marked as
5 Exhibit 3, which is a fairly thick document. Can you
6 identify that?

7 A. It's an Agreement and Plan of Merger between
8 Splitrock Telecom Cooperative, Baltic Telecom, and
9 East Plains Telecom.

10 Q. Okay. And this is the document that was basically
11 presented, was it not, to the members of Baltic
12 Telecom at a special meeting held for the purpose of
13 approving this plan?

14 A. Yes, it was.

15 Q. And it was approved --

16 A. Yes, it was.

17 Q. -- at that meeting? Was it also presented to the
18 members of Splitrock?

19 A. Yes, it was.

20 Q. And each of them had an opportunity to not only
21 review this plan but summaries of the plan?

22 A. Yes.

23 Q. And it was presented -- you had special meetings to
24 explain it to any of those members who wanted to come
25 and hear it?

1 A. Yes. On Tuesday and Wednesday before the meetings,
2 the membership meetings on Saturday we had
3 informational meetings and pretty much went through
4 the agreement and tried to answer any questions that
5 the membership had.

6 Q. What was, roughly, if you recall, the percentage of
7 the vote of approval?

8 A. In Splitrock it was 97 percent and in Baltic it was
9 94.

10 MR. GLOVER: I'll offer Exhibit 3.

11 MS. CREMER: Staff has no objection.

12 MR. SMITH: Exhibit 3 is admitted.

13 Q. To your knowledge, Don, has that document been
14 submitted to the South Dakota Secretary of State for
15 approval?

16 A. Yes, it has.

17 Q. Don, I'm going to ask you some other questions that
18 have to do with the area of public interest. And
19 primarily -- do you consider, Don, this proposed
20 merger between the parties, and the ultimate result
21 of this merger being that consolidation or merger of
22 Baltic and East Plains into Splitrock to be in the
23 public interest?

24 A. Can I just answer yes?

25 Q. You certainly may.

1 A. Yes.

2 Q. I'm going to ask you another question.

3 A. That's what I thought.

4 Q. And as briefly as possible, Don, why do you believe
5 this to be in the public interest?

6 A. There's lots of reasons. I'll try to point out maybe
7 the highlights. First of all we've been working
8 closely together for the last almost three years
9 now. Management, marketing, customer service for
10 Internet, DSL, Direct TV. It just seems natural that
11 we take the next step which is a merger. We're
12 continuous as far as exchanges. The economies of
13 scale because of the management and the marketing and
14 the customer service and the Internet are OC-48
15 outside of Brandon. We estimate conservatively that
16 the cost savings would be around \$300,000.

17 Other things, it just, as the commission knows,
18 the future of communications is up in the air. Our
19 access minutes are declining. Years prior our access
20 minutes would increase at Splitrock anywhere from
21 five to probably ten percent. We've flattened out
22 and are actually going down. Baltic they're going
23 down to the tune of ten to thirteen percent.

24 It just makes a lot of sense to the board of
25 directors and myself that we merge these two

1 companies, and they're two strong companies, merge
2 them into one big strong company. Because times are
3 going to be a little tougher in the communications
4 companies in the future. It just gives us an
5 opportunity, again, because we're going to be a
6 stronger company, have better financing to provide
7 better services to our customers.

8 Q. And in that regard, Don, I thought it would be
9 important to emphasize that this merger is not the
10 result of a weak company seeking the support or
11 economic assistance of a stronger company, is it?

12 A. No, not at all. Both companies financially are
13 fairly solid. But, again, I think the directors have
14 looked at this merger as a long-term solution. It
15 just makes a lot of sense for the customers and the
16 members.

17 Q. Now, how do you believe this merger will affect the
18 adequacy of the local telephone service to all of the
19 customers?

20 A. In the plan of merger all the local rates stay the
21 same. I'm trying to speak for the board of directors
22 here, but I just don't see any reason in the near
23 future for increases in rates. Again, realizing that
24 sixty percent of our revenues are coming from access
25 rates. That will decline. Obviously you're going to

1 look at local rates to increase, but financially
2 we're fairly solid, and I just don't see the groups,
3 any increase in rates as far as local services.

4 Q. And I believe you indicated in your response to
5 Harlan's question that comparatively speaking your
6 rates are what compared to some of the local
7 exchanges in the area?

8 A. Splitrock they're \$8.00 and \$13.00. Eight for
9 residents and \$13.00 for business. Baltic is \$11.50
10 and \$15.50. East Plains is \$12.70 and then \$26.00
11 which are the old Qwest rates. Nearby Qwest are
12 \$18.00, \$25.00 and \$38.00 and \$40.00. So, again, our
13 rates are more than fair to our customers.

14 Q. And as far as the provisions for 911 and enhanced 911
15 do you presently -- did you presently provide for
16 those services?

17 A. Yes, we do. We provide information to the PSAPs,
18 wherever they may be, Sioux Falls, Madison, and also
19 the high-speed circuits for 911 services and enhanced
20 911.

21 Q. So this merger will only enhance or improve?

22 A. It certainly will at least remain the same, possibly
23 enhance. Again, that's a service that, you know,
24 we're already doing. It pretty much will not change.

25 Q. So it certainly wouldn't be less?

1 A. That's correct.

2 Q. And are there any other public services, public
3 safety services that you provide?

4 A. As far as safety is concerned, if we had a storm come
5 through, loss of power, we do have back-up
6 generators. We've complied with CALEA and spent a
7 tremendous amount of money in doing that. Public
8 service safety. Offhand that's about all I can think
9 of.

10 Q. Okay. And I'm assuming that all of your taxes that
11 you pay are current and paid on a current and regular
12 basis?

13 A. Yes, they are.

14 Q. And that would not change as a result of this merger?

15 A. It will not change for the state. However, we pay
16 gross receipts tax currently and that will remain the
17 same.

18 Q. And how will it affect the ability of the local
19 exchange companies to provide modern state-of-the-art
20 telecommunication services that will help the
21 economic problems? I know you've covered that to
22 some extent.

23 A. Yeah. Again, both companies have been very
24 aggressive providing services to our customers. I
25 would say just about one hundred percent of our

1 customers can get DSL high-speed Internet services.
2 And we have Sonnet rings for redundancy, for
3 traffic. I just don't see that changing.

4 In fact, I think it will enhance our
5 opportunities for us to provide better services to
6 our customers. And, again, probably give us more
7 capabilities to look at other services, other
8 opportunities maybe outside of our service area.

9 Q. Don, do you have the capabilities of providing
10 telemedicine and distance learning for rural South
11 Dakota?

12 A. Yes, I do.

13 Q. Will that be affected or changed to the detriment at
14 all by this merger?

15 A. No, it will not. Not at all. It will remain the
16 same, the same quality of service that we're
17 providing today.

18 Q. As a result of this merger what will be the structure
19 of the new board?

20 A. As of January 1st -- currently there's seven
21 directors from each board. On January 1, 2003, there
22 will be fourteen directors. And it will remain
23 fourteen directors until 2008. And at that time it
24 will be reduced to eleven.

25 Q. And that's all set forth and contained in the plan of

1 merger which includes an Amendment to the Articles of
2 Incorporation of Splitrock to accommodate that
3 reduction in directors. Isn't that correct?

4 A. That's correct.

5 Q. Now, will this involve also a name change?

6 A. Yes. The name change as of January 1st will be
7 Alliance Communication Cooperative, Inc.

8 Q. And is there anything that you can think of, Don,
9 that would have any downside to this proposed planned
10 merger, the union of these two companies?

11 A. No. All the business offices will remain open. All
12 the employees will be retained. All the services
13 will remain intact. All the rates will remain the
14 same.

15 Q. And I'm glad you brought that up because I was going
16 to ask you that question. This merger does
17 contemplate maintaining an office in Baltic. And so
18 you will not be closing any business offices, and
19 you'll be utilizing still -- with your headquarters
20 in Splitrock, I assume -- you'll be utilizing the
21 employees in the offices in each of these exchanges?

22 A. That's correct. We currently have offices in
23 Brandon, Garretson, and Baltic. And they will all
24 remain open.

25 Q. One of the things that we're asking the commission in

1 this particular case is to assign service territories
2 to Alliance in this case following the merger. Isn't
3 that correct?

4 A. That's correct.

5 MR. GLOVER: I don't have any other questions.

6 MR. SMITH: Thank you. Staff?

7 MS. CREMER: Thank you.

8 CROSS-EXAMINATION BY MS. CREMER:

9 Q. Good evening, Mr. Snyders.

10 A. Good evening.

11 Q. You were talking about the offices in Baltic,
12 Brandon, and Garretson will all remain open?

13 A. That's correct.

14 Q. What are those customer service hours at those
15 places?

16 A. They're 8:00 to 5:00. And then we have an office
17 that will remain open in Brandon that's from 8:00 to
18 12:00 on Saturdays. So all the customer base
19 throughout the whole entire cooperative will be able
20 to call into the Brandon office on Saturday.

21 Q. Okay. What about trouble reports? How are those --
22 if I have trouble do I call in? Do I get a live
23 person 24 hours a day or is that a menu?

24 A. You'll get a live person from 8:00 to 5:00, and then
25 from 8:00 until noon on Saturday. After hours is

1 being handled by Golden West out in Rapid City. And
2 then if it's a serious situation they would page --
3 we have an on-call employee. And actually with this
4 merger we'll have two on-call people who will
5 actually handle trouble reports after hours.

6 Q. Where are those techs located?

7 A. The techs -- we have techs in Garretson, Brandon, one
8 that live in Crooks, Baltic. We have a tech down in
9 Alcester. We have a tech in Howard.

10 Q. And then looking at exhibit -- do you have Exhibit 2
11 in front of you?

12 A. The responses to Harlan?

13 Q. Yes. And on page three, the rates are listed at the
14 bottom?

15 A. Uh-huh.

16 Q. Is everybody going to a residential rate or a
17 business rate or depending on where you live you'll
18 maintain these different -- these six different
19 rates?

20 A. That's correct.

21 Q. Okay. And then ever moving to one rate?

22 A. I would imagine long-term that would probably happen.

23 Q. Do you anticipate people in East Plains complaining
24 that, you know, we're all one big happy family now
25 but I'm paying \$12.70 and somebody in Splitrock is

1 paying \$8.00?

2 A. I can imagine that would probably happen. But with
3 the plan of merger one of the, I guess, the
4 agreements was that all rates will remain the same.
5 I would believe over a period of time, and I'm not
6 talking short-term but long-term, rates will
7 increase. And what will probably happen is the
8 Splitrock and Baltic rates will move up to the East
9 Plains rates and then they'll all be leveled out.

10 Q. That would be the same for residential and business?

11 A. That's correct.

12 Q. Okay. Does that rate include any features, Caller
13 ID?

14 A. No. Touch Tone.

15 Q. As to the board of directors, when it goes to a board
16 of eleven, is there anything that says so many have
17 to be from the old East Plains exchanges or --

18 A. Yeah. That's a good question. When it goes down to
19 eleven there will be one director from the Alcester-
20 Hudson area. But until that time we'll have an
21 advisory director that will actually attend board
22 meetings. Gary Scott's in the audience and he'll
23 actually attend board meetings probably in Garretson
24 headquarters. And then at the end of the five-year
25 period a director will be elected from the

1 Alcester-Hudson area.

2 Q. Okay. As to your ETC status, what's the status of
3 that, eligible telecommunications?

4 A. It's been filed and approved as far as I know.

5 Q. Okay. And then in order to get the moneys from the
6 federal government, have you notified them of the
7 name change?

8 A. Yeah. Basically what's going to happen on the
9 federal end is we're going to remain two study areas
10 so there will be no change in settlements. Baltic
11 will retain their study area and Splitrock will
12 retain theirs. As far as NECA settlements and USF
13 support it will remain the same.

14 Q. But do you notify them of a name change then at all?

15 A. Yes, we will. And we have.

16 Q. And you have done that?

17 A. Yes.

18 Q. Okay. What changes, if any, will the end user see as
19 a result of all of this?

20 A. Well, I think that the big change will be the name.
21 Other than that hopefully the changes they see will
22 be positive.

23 Q. What EAS arrangements are there currently between
24 these three companies, or are there any EAS?

25 A. Garretson and Brandon EAS to Sioux Falls. Crooks and

1 Baltic do too. But they do not have EAS between
2 Baltic and like Garretson and rural Brandon.

3 Q. Do you anticipate that changing at all?

4 A. That's something that in the informational meeting we
5 had talked to the membership about and it's something
6 we'll take a look at. And we'll monitor the calling
7 patterns and see if there's something that we can do
8 there.

9 Q. Do each of these communities have their own schools?

10 A. Hudson does not. Hudson goes to Alcester.

11 Q. I guess the question I would have is -- but they're
12 staying the same. Does anybody have to call -- is it
13 a toll call for a student to either call their school
14 or call a classmate?

15 A. That's something we've taken care of. There used to
16 be a long distance call for somebody to call from
17 Valley Springs to the Brandon school. We've opened
18 that up so anybody can call the Brandon school.
19 We've also done it down in Alcester-Hudson.

20 Q. Do you anticipate any new products or services as a
21 result of the sale?

22 A. One of the things I can think of off the top of my
23 head would be an ease statement where right now we're
24 offering that through Splitrock Telecom where the
25 customer had actually pay their bill through the

1 Internet and because of the economies of scale it
2 just wasn't feasible for Baltic to offer that
3 service. Now we can.

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

5 MR. SMITH: Thank you. Commissioners?

6 CHAIRMAN BURG: I've got a couple.

7 EXAMINATION BY CHAIRMAN BURG:

8 Q. West plains actually was formed when you purchased --

9 A. East Plains.

10 Q. East Plains. Excuse me. When you purchased U S WEST
11 Properties. Is that correct?

12 A. That's correct.

13 Q. Have they been a co-op member up until now?

14 A. No.

15 Q. And now this will bring them in as a co-op member?

16 A. Yeah. There was a commitment made to the East Plains
17 community down there that basically within a period
18 of roughly of about a five-year period that Baltic
19 would look at bringing them into the co-op.

20 Q. And that's happening with this merger?

21 A. That's what we're doing.

22 Q. And then you mentioned Splitrock Properties. Was
23 that the same for Splitrock or not?

24 A. Yes. That was an acquisition from Qwest.

25 Q. Were those people members of the co-op yet?

1 A. No.

2 Q. That will happen here, too?

3 A. No.

4 Q. Are you not bringing those people in?

5 A. No. There was no commitment made. That's not saying
6 down the road we might not look at that, but at this
7 time that's not the direction.

8 Q. So there will be a Splitrock Properties subsidiary
9 remaining after this process is finished?

10 A. That's correct.

11 Q. Whereas the East Plains is disappearing as a
12 corporation?

13 A. That's correct.

14 Q. I think this one got answered by Ms. Cremer's
15 questions, but the merger will not provide any
16 additional local calling for any of the members?

17 A. Not initially, no.

18 Q. Local calling patterns will still remain the same as
19 they were before the merger. Correct?

20 A. That's correct.

21 Q. And all local rates stay the same?

22 A. That's correct.

23 Q. And the main office, that's going to still be located
24 here in Garretson?

25 A. Yes, it will be.

1 Q. The head office?

2 A. Yes.

3 CHAIRMAN BURG: Okay. That's all I have.

4 EXAMINATION BY COMMISSIONER SAHR:

5 Q. Don, I was looking through the agreement and plan of
6 merger, and under one of the schedules they list
7 governmental consents and approvals required. And
8 there's three entities. One, South Dakota Public
9 Utilities Commission; two, Iowa Board of Utilities;
10 and, three, United States Department of Agriculture
11 Rural Utilities Service. What are the status of
12 those other two approvals?

13 A. They've been filed. I haven't heard back from either
14 one of them, have we?

15 MR. TAYLOR: We have not received a response
16 from either of those entities. I know the paperwork
17 is in process. I speak with their attorneys
18 regularly but they have not granted approval.

19 MR. GLOVER: I think it's a matter of formality.

20 COMMISSIONER SAHR: Anything to anticipate that
21 it will be done before the end of the year?

22 MR. TAYLOR: Yes.

23 COMMISSIONER SAHR: So everything should be
24 completed by January 1, and that's when for a brief
25 moment we'll have the interlude and then all of a

1 sudden we'll all be one, all be one going forward.

2 Thanks.

3 MR. SMITH: Is there any redirect?

4 REDIRECT EXAMINATION BY MR. GLOVER:

5 Q. I would only point out, Don, that one of the things
6 that we provided for in the plan of merger was that
7 all of those members who had accumulated and acquired
8 capital credit retain those capital credits in their
9 accounts, do they not?

10 A. That's correct.

11 Q. So when they became and merged into this company they
12 are in the same status as a member; that they lost
13 nothing by way of the capital credit to their
14 accounts by virtue of this merger, did they?

15 A. That's correct.

16 Q. As a matter of fact, I believe that it was indicated
17 in the merger that there would probably be a payout
18 of some capital credits to the Baltic members in
19 order to bring them up to the same rotational period
20 as your Splitrock members. Is that correct?

21 A. Yeah. As a matter of fact that's going to happen
22 December 1st. We're going to pay all the years 1991,
23 '92 and '93 for the Baltic membership to bring it
24 level with the '94 at Splitrock. And that amount is
25 \$675,000.

1 CHAIRMAN BURG: That brings a question to me.

2 EXAMINATION BY CHAIRMAN BURG:

3 Q. When you take in the East Plains people, do they have
4 any capital credits initially?

5 A. No.

6 Q. That has to be accumulated?

7 A. That allocation will start in 2003.

8 Q. And then probably a little more clarification on your
9 reduction of members, and that happens, did you say
10 two thousand and what? The reduction in board
11 members.

12 A. 2008.

13 Q. 2008. Will there be just attrition of some of the
14 board members, you've identified which positions will
15 disappear, or will you be voting for all of them, or
16 how will that actually be accomplished as far as who
17 is current members?

18 MR. TAYLOR: That is set forth in the agreement
19 and plan of merger. It's been decided, of the seven
20 members of the Splitrock board and the Baltic board
21 how many each will essentially lose.

22 CHAIRMAN BURG: They identify which slots
23 actually or not?

24 MR. TAYLOR: To an extent, yes. In some cases
25 it has and others it's going to be decided amongst

1 the board members who will opt out at that point.

2 CHAIRMAN BURG: If I do remember right there
3 will be three from each and one from Alcester then,
4 there's eleven total?

5 MR. SNYDERS: Six from Garretson and Brandon,
6 five from Crooks -- four from Crooks and Baltic and
7 then one from Alcester.

8 CHAIRMAN BURG: Thanks.

9 REDIRECT EXAMINATION BY MR. GLOVER:

10 Q. And just as a step up on that. Those members of East
11 Plains that have become members of the cooperative
12 will start accruing capital credits so that that will
13 ultimately be somewhat of a reduction -- or not a
14 reduction but a return on those existing rates?

15 A. That's correct.

16 Q. That they wouldn't have otherwise enjoyed?

17 A. Yeah. The allocation process starts 2003.

18 EXAMINATION BY CHAIRMAN BURG:

19 Q. Up until now they've gotten the same as U S WEST
20 people. Right?

21 A. Pardon?

22 Q. Up until now they've gotten the same as U S WEST
23 people, right?

24 A. Zero, yeah.

25 MR. GLOVER: That's all I have.

1 MR. SMITH: Are there other questions of
2 Mr. Snyders?

3 MS. CREMER: I have nothing.

4 MR. SMITH: Commissioners?

5 COMMISSIONER NELSON: None.

6 MR. SMITH: You're excused.

7 MR. SNYDERS: Thank you.

8 (Witness excused.)

9 MR. GLOVER: We have no other witnesses.

10 MR. SMITH: Staff?

11 MS. CREMER: Staff will call Harlan Best.

12 HARLAN BEST,

13 called as a witness, being first duly sworn,

14 testified and said as follows:

15 DIRECT EXAMINATION BY MS. CREMER:

16 Q. Would you state your name and address for the record?

17 A. My name is Harlan D. Best. My business address is
18 State Capital Building, Pierre, South Dakota 57501.

19 Q. And would you summarize your education and work
20 experience, please?

21 A. I graduated from the University of South Dakota in
22 May of 1975 with a Bachelor of Science degree in
23 business administration and in accounting. I
24 received by public accountant's license in July of
25 that same year. I commenced employment with the

1 South Dakota Public Utilities Commission in October
2 of 1975 as a utility analyst. I was named deputy
3 director of fixed utilities commission in April of
4 1987. And in July of 1998 the commission
5 restructured the organization and eliminated the
6 deputy director position. I have been a utility
7 analyst with the commission since that time. I have
8 attended a number of seminars and workshops on
9 related utility matters since my employment with the
10 commission.

11 Q. And what's the purpose of your testimony today,
12 Harlan?

13 A. The purpose of my testimony is to give my opinion to
14 the commission regarding the acquisition of East
15 Plains Telecom, Inc., by its parent company Baltic
16 Telecom Cooperative, and the consolidation of Baltic
17 Telecom Cooperative into Splitrock Telecom --
18 Splitrock Telecom Cooperative, Inc. And the
19 Splitrock Telecom Cooperative, Inc., will then change
20 its name to Alliance Communications Cooperative, Inc.

21 Q. Do these three companies presently have a certificate
22 of authority?

23 A. Yes. East Plains Telecom received a certificate of
24 authority from the commission in Docket TC97-026.
25 Baltic Telecom Cooperative and Splitrock Telecom

1 Cooperative were each operating as telecommunication
2 companies prior to SDCL 49-31-3, went into effect in
3 July 1 of 1998, and therefore would not require it to
4 obtain a certificate of authority from the
5 commission.

6 Q. And are all three companies an incumbent
7 telecommunications company?

8 A. Yes. East Plains provides local exchange service in
9 -- did you say incumbent telecommunications?

10 Q. Yes.

11 A. Yes. East Plains provides local service in Alcester,
12 Hudson exchanges. Baltic Telecom Cooperative
13 provides local exchange service in Baltic and Crooks
14 exchanges. Splitrock Telecom Cooperative is the
15 local exchange provider in the Brandon exchange and
16 the Garretson exchange.

17 Q. And has East Plains, Baltic, and Splitrock been
18 granted ETC status by the commission?

19 A. Baltic received its eligible telecommunications
20 carrier authority in TC97-088 on December 17, 1997.
21 Baltic Telecom Cooperative received ETC status in
22 TC97-087 on December 17, 1997. And Splitrock Telecom
23 Cooperative likewise received its ETC authority on
24 December 17, 1997, in Docket TC97-102.

25 Q. And I'm not sure if you misspoke or not, Harlan, but

1 to summarize, East Plains has received theirs in
2 TC97-088 and Baltic in TC97-087. Correct?

3 A. Yes.

4 Q. Have you reviewed the application that was filed by
5 the parties in Exhibits 1, 2, and 3?

6 A. Yes, I have.

7 Q. And you had submitted -- I believe it's been marked
8 as Exhibit 2 -- your letter was not admitted but
9 their responses from the company, is that Exhibit 2?
10 Is that correct?

11 A. Yes.

12 Q. As a part of your analysis of this docket did you do
13 a public interest analysis?

14 A. Yes. The acquisition and consolidation will enable
15 Alliance Communications Cooperative to continue
16 bringing modern telecommunication services to the
17 rural areas of East Plains, Baltic, and Splitrock.
18 The terms, conditions, and rates of local exchange
19 service will not change. Emergency 911 services will
20 continue to be provided and all taxes will continue
21 to be paid as required by law.

22 Q. And what about the switched access rates?

23 A. The applicants are each members of the Local Exchange
24 Carriers Association. Each of the applicants has
25 filed a 2001 switched access cost study. East Plains

1 is docketed as TC02-072, Baltic is TC02-071, and
2 Splitrock Telecom is TC02-066.

3 Q. Is this stock purchase similar to the stock purchase
4 the commission has approved in the past?

5 A. No, it is not.

6 Q. And can you explain that, please?

7 A. The acquisition by the parent company, Baltic Telecom
8 Cooperative, and its subsidiary East Plains Telecom,
9 Inc., has not required commission approval in the
10 past. And in staff's opinion it is not necessary in
11 this docket. In all other prior sales of exchange
12 dockets that I can recall there was a stock
13 purchase. That is not the case in this docket. No
14 consideration is being paid by any party to either
15 the dissolution of East Plains Telecom or the
16 subsequent merger of Baltic Telecom and Splitrock
17 Telecom. This is in footnote one of the
18 application.

19 Baltic and Splitrock are currently parties to a
20 management agreement whereby Splitrock provides
21 certain management and administrative services to
22 Baltic on a contract basis. Splitrock's general
23 manager Don Snyders is the acting general manager of
24 Baltic. This is from paragraph four of the
25 application at page three.

1 Q. What conclusions did you reach regarding the public
2 interest criteria of the sale?

3 A. The parties have stated that local rates will remain
4 the same after the purchase. Taxes will continue to
5 be paid. Emergency services will continue to be
6 provided. Local management will be the same. There
7 will be no reduction in the labor force and there
8 will be no discontinuance or reduction of any of the
9 services presently offered.

10 Q. Do you have a recommendation regarding the
11 acquisition of East Plains Telecom by Baltic Telecom
12 Co-op?

13 A. Yes.

14 Q. And what is that?

15 A. I recommend that the commission acknowledge that the
16 subsidiary East Plains Telecom, Inc., is being
17 brought into its parent Baltic Telecom Cooperative.
18 There is no commission approval that is necessary for
19 the Alcester exchange and the Hudson exchange to
20 become part of the Baltic Telecom Cooperative.

21 Q. And then do you have a recommendation regarding the
22 consolidation of Baltic Co-op and Splitrock Telecom
23 Co-op?

24 A. Yes.

25 Q. And what was that -- what is your recommendation?

1 A. I recommend that the commission approve the
2 consolidation of Baltic Telecom Cooperative, the
3 exchanges of Baltic, Crooks, Alcester and Hudson.
4 Splitrock Telecom Cooperative, Inc., into the
5 exchanges of Brandon and Garretson with the following
6 conditions: One, that current local rates not be
7 increased for eighteen months from the date that
8 Splitrock Telecom Cooperative, Inc., begins to
9 operate the exchanges. Two, Splitrock Telecom
10 Cooperative shall honor all existing contracts,
11 commitments, leases, licenses, and other agreements
12 which relate to or arise from or are used for the
13 operation of the exchanges. Three, that Splitrock
14 Telecom Cooperative, Inc., offer at a minimum all
15 existing services currently offered by East Plains
16 Telecom or Baltic Telecom Cooperative, Inc.

17 And, four, that Splitrock Telecom Cooperative
18 will not discontinue any existing extended area
19 service arrangements in the exchanges without first
20 obtaining approval from the commission. And,
21 finally, that the commission amend Splitrock Telecom
22 Cooperative, Inc.'s certificate of authority in
23 accordance with SDCL 49-31-69 to include the
24 exchanges of Alcester, Baltic, Crooks, and Hudson.

25 Q. And then what about your recommendation regarding

1 Alliance Communications Cooperative, Inc.?

2 A. I recommend the commission acknowledge the name
3 change of Splitrock Telecom Cooperative, Inc., to
4 Alliance Communications Cooperative, Inc.

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

6 MR. SMITH: Did you guys get into the
7 certificate of authority issue at all?

8 MS. CREMER: Of which is what?

9 MR. SMITH: The enlargement of the certificate
10 of authority.

11 MS. CREMER: Amending it?

12 MR. SMITH: Right.

13 MS. CREMER: Did you sleep through that?

14 MR. SMITH: I think I did. I was talking to
15 Jim. He was talking to me.

16 MS. CREMER: Yes, actually we did but I could
17 have him go over it again if you'd like.

18 MR. SMITH: Let me ask you this, Harlan. In
19 your view have the conditions for doing that been
20 met?

21 MR. BEST: I can't hear you.

22 MR. SMITH: In your opinion have the conditions
23 for that extension of the certificate of authority
24 been met?

25 MS. CREMER: 49-31-69.

1 MR. BEST: Yes, they have.

2 MR. SMITH: The local certificate of authority?

3 MR. BEST: Yes.

4 MR. SMITH: I just wanted to hear you say it
5 because I want to write the order and then I won't
6 have to wait for Pat's transcript.

7 CHAIRMAN BURG: I have one question. First of
8 all do they have any questions?

9 MR. GLOVER: I don't have any questions.

10 MR. DONAHOE: I have one question.

11 CROSS-EXAMINATION BY MR. DONAHOE:

12 Q. Mr. Best, in regard to your recommendation, which we
13 appreciate, you also indicate that the Alcester and
14 Hudson exchanges should continue to receive the same
15 services they're currently offered. Are you aware of
16 how those services might compare with the neighboring
17 service areas that are served by Qwest Communications
18 in regard to whether it's better or worse or anything
19 like that?

20 A. No, I'm not.

21 Q. We don't have any testimony on that, but let me just
22 provide a hypothetical. With services as good or
23 better than Qwest, is it then your recommendation
24 that those services be offered for the 18-month
25 period or is that just in regard to local rates?

1 A. The eighteen months is for the local rate not to
2 change.

3 MR. DONAHOE: Okay. I have no further
4 questions.

5 CHAIRMAN BURG: That's what my question was.
6 How did you arrive at the 18 months without local
7 rate change?

8 MR. BEST: That's what the commission has made
9 in prior orders approving sales.

10 CHAIRMAN BURG: I may -- and I suppose this may
11 be a question for the company. It was indicated that
12 the method by which you would probably equalize rates
13 for all members at sometime in the future would be to
14 bring the current lower rates up to where the higher
15 rates are. And I would not want to probably -- my
16 personal position is thinking that I would not want
17 to hinder that occurring by a limitation such as
18 this. And I would welcome any response that you
19 might have, Harlan, or anybody else. But do you have
20 any comment on that, Don?

21 MR. SNYDERS: Eighteen months is probably
22 something we could live with. But in this industry
23 there's lots of things that happen that, you know,
24 can change the business plan.

25 MS. CREMER: They could always come back in.

1 Well, there's nothing in stone. We've always just
2 used the 18 months since the sale of exchanges. You
3 could make it less or more or they could come in for
4 a modification.

5 CHAIRMAN BURG: I think this is a lot different
6 than when we've implemented the eighteen months. I
7 mean, this is a merger of equals. Eighteen months
8 was usually put in with a purchase to protect
9 customers.

10 MS. CREMER: Right.

11 CHAIRMAN BURG: I think for the benefit of all
12 of the companies that it would be advisable to get to
13 an equal rate as soon as possible. I hate to see a
14 restriction we put on hinder that.

15 MS. CREMER: Right. And I don't -- when I'd
16 asked Mr. Snyders he didn't seem to have any idea
17 when that would be.

18 CHAIRMAN BURG: I mean, would you see some harm
19 done to somebody if we did not include that
20 requirement?

21 MR. SMITH: Can I ask you a question on that,
22 Harlan, before we get to that? Is there a
23 distinction because these are co-ops in your mind at
24 all?

25 MR. BEST: No.

1 MR. SMITH: There is not.

2 MR. GLOVER: Could I follow up on that, John?

3 MR. SMITH: Yes, you may.

4 MR. GLOVER: I realize the commission regulates
5 the rates of the privately owned telephone
6 companies. They do not regulate rates of
7 cooperatives as in this case.

8 MR. BEST: The commission does not separate the
9 firms from the independents either, set the rates for
10 the independents.

11 MR. GLOVER: But they do for Qwest.

12 MR. BEST: Qwest rates are frozen by statute.

13 CHAIRMAN BURG: I do believe, though, that we
14 have the authority to make that a condition of the
15 merger in order to protect consumers from rate
16 increases. But in this case I see a benefit to
17 having to seek the adjustment for the benefit, for
18 the health of all the members.

19 MR. SNYDERS: I think our preference would be
20 that the restriction's not there. If it is there
21 it's something, I guess, that if we need to change
22 the rate we have to come back. But it would be nice
23 not to have it would be my take on it.

24 MR. SMITH: There is a distinction, though, is
25 there not, Harlan, between a co-op, all of whose

1 users are members, and any form of corporation that
2 is not member owned? If nothing else the people who
3 are actually using the service at least have a voice
4 in the setting of those rates. Right?

5 MR. BEST: In that they elect the board of
6 directors.

7 MR. SMITH: And they own the system, I mean, is
8 the real -- that is who the owner of the system is,
9 right, is the actual users of the system. And that
10 distinguishes it from any form of private stock
11 corporation whose members do not necessarily even
12 live within the area that's being served. That's at
13 least a difference.

14 MR. BEST: Is that a question?

15 MR. SMITH: Yes. Is that a difference between
16 the two? It is a difference.

17 MR. BEST: It could be a difference, yes. It
18 may not be the only difference, but it's a
19 difference.

20 MR. SMITH: Right. I agree with that. But it
21 is a difference in this case in that here we're
22 talking about a member, you know, basically a
23 customer, and the ownership of these systems are the
24 same people. And that tends to have some kind of
25 self-regulating affect on rates.

1 MR. BEST: That's what they told the legislature
2 back in the late '70s so I would agree with that.

3 MR. SMITH: Were they right?

4 MR. GLOVER: Yes.

5 MR. RISLOV: Harlan, with the possibility of
6 switched access reform coming in the next potentially
7 year and a half, potential state Universal Service
8 Funding, would that maybe lead to at least some idea
9 that the 18-month moratorium on legal rate increases
10 perhaps maybe wouldn't apply as strongly now as it
11 would have, say, five years ago?

12 MR. BEST: If the legislature were to approve
13 the state Universal Service Fund it could have an
14 impact.

15 MR. RISLOV: Thank you.

16 CHAIRMAN BURG: Do we have any other -- any
17 other approval, sale approval that we've got that is
18 still within the eighteen months? I would imagine
19 one is Sisseton.

20 MR. BEST: PrairieWave Communications.

21 COMMISSIONER NELSON: Viborg.

22 CHAIRMAN BURG: Okay.

23 MR. SMITH: Do you have a copy of your
24 conditions of what Harlan recommended?

25 MS. CREMER: Yes. And they're actually just

1 found on the PrairieWave order.

2 MR. SMITH: They're the same thing?

3 MS. CREMER: Yes.

4 MR. SMITH: The reason I want to know is I want
5 to make sure the motion I prepare, in case they
6 decide it, matches what you said because I can't
7 think that fast.

8 MS. CREMER: I can give you the written version
9 here just to be sure.

10 MR. SMITH: These are a little different.

11 MS. CREMER: Do you want to just keep that?

12 MR. SMITH: The reason is he can just read those
13 then.

14 CHAIRMAN BURG: Are they different?

15 MR. SMITH: They are somewhat different.

16

17 (Discussion off the record.)

18

19 CHAIRMAN BURG: We've decided -- we've agreed to
20 make a bench decision. So we're just making sure
21 that it jibes with what they ended up with. So I'm
22 ready to make a motion. Sales of local exchanges. I
23 move that the commission finds subject to the
24 conditions stated later in this motion that the
25 dissolution of East Plains Telecom, Incorporated, and

1 the subsequent merger of Baltic Telecom Cooperative
2 and Splitrock Telecom Cooperative, Incorporated, and
3 the resulting transfer of Splitrock, of the Alcester,
4 Hudson, Baltic, and Crooks local exchanges now owned
5 by East Plains and Baltic will be protected for the
6 public interest, will continue provision of adequate
7 local telephone service to local customers, and it
8 will provide local service in these areas at
9 reasonable rates, and will continue to provide access
10 to 911, E-911, and other public safety services, it
11 will not adversely affect the payment of taxes, and
12 it will provide effective rural communities access to
13 modern state-of-the-art telecommunication services
14 that will help promote economic development,
15 telemedicine, and distance learning.

16 I further move that the commission find that
17 there's no evidence in the record to indicate that
18 there will be any material differences in the effect
19 -- in the effect the dissolution and merger will
20 have on any of the local exchanges as compared to any
21 of the other exchanges, and that findings and
22 conditions approved by the commission be uniformly
23 applicable to all of the affected local exchanges.

24 Based on these findings I move that the
25 dissolution and merger of resolution and resulting

1 sale of the local exchanges as set forth in the
2 application be approved subject to the commission's
3 approval of the sale of each local exchange by a
4 separate vote as required by SDCL 49-31-59 and
5 subject to the following conditions: Do we have to
6 make separate votes?

7 MR. SMITH: On each of them, you do, but why
8 don't you go through the conditions and then vote.

9 CHAIRMAN BURG: And the conditions -- subject to
10 following conditions, one, that the dissolution of
11 East Plains and the merger of Baltic into Splitrock
12 proceeds substantially in accordance with the terms
13 set forth in the application, the agreement, and the
14 plan of merger, and other documents submitted in
15 support of the application. That Splitrock honor all
16 existing contracts, commitments, leases, licenses,
17 and other agreements which relate to, arise from, or
18 are used for the operation of the purchased
19 exchange. That Splitrock continue to offer all the
20 services currently offered by the purchased
21 exchanges. And that Splitrock not discontinue any
22 extended service -- any extended area service
23 currently provided to the purchased exchanges without
24 first obtaining approval of the commission. That the
25 commission amend Splitrock Telecom Cooperative,

1 Incorporated, certificate of authority in accordance
2 with SDCL 49-31-69 to include the exchanges of
3 Alcester, Baltic, Crooks and Hudson.

4 MR. SMITH: Why don't you vote on this?

5 CHAIRMAN BURG: So I so move.

6 COMMISSIONER NELSON: And I would second it, but
7 I think you should clarify that it's sale by merger
8 and dissolution. I don't think the word "sale"
9 clearly reflects what we're doing.

10 CHAIRMAN BURG: I was wondering --

11 COMMISSIONER NELSON: First I thought we
12 shouldn't use it at all, and then the language in the
13 document sale by merger and dissolution which gives a
14 different impression than just sales. I would second
15 it with that change in the language.

16 CHAIRMAN BURG: You got it adequate enough? You
17 have to write that up, John.

18 MR. SMITH: I think so.

19 CHAIRMAN BURG: I will consider that an
20 acceptable amendment.

21 COMMISSIONER SAHR: And I'll concur.

22 CHAIRMAN BURG: The one other thing -- so that
23 has been approved. One other thing I had in that, do
24 we in this -- so far in this motion we did not
25 approve the change of name, did we?

1 MR. SMITH: You don't have to approve the change
2 of name. But what you do have to do is vote on each
3 one of the exchanges separately.

4 CHAIRMAN BURG: Those get to be a pain, but I
5 guess --

6 MR. SMITH: There's just four of them.

7 CHAIRMAN BURG: This isn't quite so bad. We
8 will now separately vote on whether to approve the
9 sale of each exchange. I'll just make the motions.
10 I move to approve the sale of the Alcester exchange
11 from East Plains Telecom, Incorporated, to Splitrock
12 Telecom Cooperative, Incorporated.

13 COMMISSIONER SAHR: I'll second.

14 COMMISSIONER NELSON: I concur.

15 CHAIRMAN BURG: I move to approve the sale of
16 Hudson exchange from East Plains Telecom,
17 Incorporated, to Splitrock Telecom, Incorporated.

18 COMMISSIONER SAHR: I second.

19 COMMISSIONER NELSON: I concur.

20 CHAIRMAN BURG: I move to approve the sale of
21 the Baltic exchange from Baltic Telecom Cooperative,
22 Incorporated, to Splitrock Telecom Cooperative,
23 Incorporated.

24 COMMISSIONER SAHR: I second.

25 COMMISSIONER NELSON: And I concur.

1 CHAIRMAN BURG: And I move to approve the sale
2 of the Crooks exchange from Baltic Telecom
3 Cooperative to Splitrock Telecom Cooperative,
4 Incorporated.

5 COMMISSIONER SAHR: I second.

6 COMMISSIONER NELSON: I concur.

7 CHAIRMAN BURG: And, finally, the Transfer of
8 Amendment of Certificate of Authority. The next
9 issue is approval of the transfer of the certificate
10 of authority to provide local exchange telephone
11 services held by East Plains in Baltic to Splitrock,
12 and the amendment of Splitrock's certificate of
13 authority to include Alcester, Hudson, Baltic, and
14 Crooks local exchange service areas within
15 Splitrock's local exchange service area.

16 I move to approve the transfer of the
17 certificate of authority provided by local exchange
18 telephone service held by East Plains and Baltic to
19 Splitrock and the amendment of Splitrock's
20 certificate of authority to include the Alcester,
21 Hudson, Baltic, and Crooks local exchange service
22 areas within Splitrock's authorized local exchange
23 service area.

24 COMMISSIONER NELSON: Seconded.

25 COMMISSIONER SAHR: And I concur.

1 CHAIRMAN BURG: And did we cover everything?

2 MR. SMITH: I think so. Is there anything
3 else?

4 MR. GLOVER: I'm assuming that you made that
5 transfer effective as of 12:02 on January 1 of 2003.

6 MR. SMITH: We made it effective as in
7 accordance -- with the condition that it will proceed
8 in accordance with the agreement and plan and merger.

9 MR. GLOVER: I don't have any further
10 questions. Thank you.

11 CHAIRMAN BURG: That's it. That concludes the
12 meeting. Thanks everybody for coming.

13 (End of Proceeding.)
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25

1 STATE OF SOUTH DAKOTA)

2 :SS CERTIFICATE

3 COUNTY OF MINNEHAHA)

4
5 I, Pat L. Beck, Registered Merit Reporter
6 and Notary Public within and for the State of South
7 Dakota:

8 DO HEREBY CERTIFY that I took the
9 proceedings of the foregoing Public Utilities
10 Commission Hearing, and the foregoing pages 1-53,
11 inclusive, are a true and correct transcript of my
12 stenotype notes.

13 I FURTHER CERTIFY that I am not an attorney
14 for, nor related to the parties to this action, and
15 that I am in no way interested in the outcome of this
16 action.

17 In testimony whereof, I have hereto set my hand
18 and official seal this 25th day of October, 2002.

19
20
21 
22 _____

23 Pat L. Beck, Notary Public

24 Expiration Date: June 11, 2005

25 Iowa CSR Number: 1185

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DON SNYDERS

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HARLAN BEST

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INDEX TO EXHIBITS

	<u>Marked for Identification</u>	<u>Received into Evidence</u>
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Exhibit No. 1	P. 2	P. 13
(Application for Approval of a Transfer of Telephone Exchanges and Amended Certificate of Authority)		
Exhibit No. 2	P. 2	P. 14
(9/25/02 Letter to Harlan Best from Ryan Taylor)		
Exhibit No. 3	P. 2	P. 15
(Agreement and Plan of Merger)		

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SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BEFORE THE SOUTH DAKOTA

PUBLIC UTILITIES COMMISSION

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SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE MERGER OF
BAL TIC TELECOM COOPERATIVE WITH
SPLITROCK TELECOM COOPERATIVE
AND THE DISSOLUTION OF EAST
PLAINS TELECOM, INC.

DOCKET NO. TC02-159

APPLICATION FOR APPROVAL
OF A TRANSFER OF TELEPHONE
EXCHANGES AND AMENDED
CERTIFICATE OF AUTHORITY

COME NOW, the Applicants, Splitrock Telecom Cooperative, Inc., Baltic Telecom Cooperative, and East Plains Telecom, Inc. by and through their undersigned counsel, and request that the South Dakota Public Utilities Commission (the "Commission") approve the "sale," by merger and dissolution,¹ of the local telephone exchanges serving the Cities of Alcester, Hudson, Baltic, and Crooks, South Dakota and the surrounding areas in the manner set forth in this Application and in the Agreement and Plan of Merger between Splitrock Telecom Cooperative, Inc., Baltic Telecom Cooperative, and East Plains Telecom, Inc., as described herein, and approve an amendment to the Certificate of Authority held by Splitrock Telecom Cooperative, Inc. to permit it to offer local exchange service in those exchanges.

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



¹ The Commission has notified Applicants that it considers the proposed merger and dissolution to be a "Sale" of local telephone exchanges, as that term is used and defined in SDCL § 49-31-59. Applicants wish to specify that no consideration is being paid by any party to either the dissolution of East Plains Telecom, Inc., or the subsequent merger of Baltic Telecom Cooperative and Splitrock Telecom Cooperative, Inc. Applicants specifically state that the proposed merger and dissolution are not "Sales" as such term is used and defined in the Internal Revenue Code of 1986, as amended (the "Code"). The dissolution being a tax-free dissolution of a wholly-owned subsidiary under § 332 of the Code, and the merger being a tax-free reorganization under § 368 of the Code. Hereinafter, the proposed merger and dissolution will be referred to as a "Sale" as defined by SDCL §49-31-59.

1. Applicant Splitrock Telecom Cooperative, Inc. is a South Dakota cooperative headquartered in Garretson, South Dakota ("Splitrock"). Splitrock presently operates two local telephone exchanges having approximately 5,268 access lines in the Cities of Brandon and Garretson, South Dakota and the surrounding areas. Splitrock's wholly-owned subsidiary, Splitrock Properties, Inc., operates two local telephone exchanges having approximately 1,562 access lines in the Cities of Howard, Oldham, and Ramona, South Dakota and the surrounding areas. Splitrock presently provides enhanced 911 service in all of its local telephone exchanges. In addition to its telephony services, Splitrock offers various other communications services including: (i) high-speed DSL internet access service; (ii) cable television service to approximately 2,525 subscribers in the Cities of Brandon, Garretson, Corson, Sherman, and Howard, South Dakota; and (iii) DBS television service in northeastern Minnehaha County, South Dakota and all of Rock County, Minnesota.

2. Applicant Baltic Telecom Cooperative is a South Dakota cooperative headquartered in Baltic, South Dakota ("Baltic"). Baltic presently operates two local telephone exchanges having approximately 1,889 access lines in the Cities of Baltic and Crooks, South Dakota and the surrounding areas (the "Baltic Exchange" and the "Crooks Exchange," respectively). Baltic presently provides enhanced 911 service in both of its exchanges. In addition to its telephony services, Baltic offers DBS television service in northwestern Minnehaha County, South Dakota. Baltic is the sole shareholder and parent corporation of East Plains Telecom, Inc.

3. Applicant East Plains Telecom, Inc. is a South Dakota corporation and a wholly-owned subsidiary of Baltic Telecom Cooperative ("East Plains"). East Plains presently operates

two local telephone exchanges having approximately 1,169 access lines in the Cities of Alcester and Hudson, South Dakota (the "Alcester Exchange" and the "Hudson Exchange," respectively). East Plains acquired these two exchanges from US West Communications, Inc. in 1997 and has operated them since that time. East Plains presently provides enhanced 911 service in the Hudson Exchange and 911 access in the Alcester Exchange². In addition to its telephony services, East Plains also offers high-speed DSL internet access to its own patrons and those of its parent corporation, Baltic Telecom Cooperative.

4. Splitrock and Baltic are currently parties to a Management Agreement, whereby Splitrock provides certain management and administrative services to Baltic on a contract basis. Splitrock's General Manager, Don Snyders, is the acting General Manager of Baltic. As the parent corporation and sole shareholder of East Plains, Baltic provides all administrative, managerial, and operational services to East Plains on a contract basis.

5. Splitrock, Baltic, and East Plains have entered into an Agreement and Plan of Merger which contemplates the following two transactions:

(i) First, at 12:01 a.m. on January 1, 2003, East Plains will be statutorily dissolved pursuant to the provisions of SDCL Chapter 47-7. At the time of dissolution, all of the assets and liabilities of East Plains will be distributed to its sole shareholder, Baltic. All of the patrons formerly receiving telephone service from East Plains will automatically become members of Baltic when title to East Plains' telephone plant is transferred to Baltic. As the sole shareholder of East Plains, Baltic has approved its dissolution; and

² East Plains has enhanced 911 equipment in place in Alcester, however, Union County has not yet implemented the enhanced 911 program

(ii) Second, at 12:02 a.m. on January 1, 2003, Baltic will be merged with and into Splitrock pursuant to the provisions of SDCL Chapter 47-18. Upon consummation of the merger, all of the assets and liabilities of Baltic, including those formerly held by East Plains, will become the assets and liabilities of Splitrock. All of the members of Baltic, including the former telephone patrons of East Plains, will become members of Splitrock. Immediately following the merger, Splitrock will change its name to Alliance Communications Cooperative, Inc. The members of Baltic and Splitrock approved the Agreement and Plan of Merger by votes of 174 to 11 and 145 to 3, respectively on August 10, 2002,

(hereinafter the "Plan of Merger"). A copy of the Plan of Merger is attached to this Application as Exhibit A and is hereby incorporated herein by this reference.

6. Prior to the close of business on December 31, 2002, Baltic and Splitrock will allocate their 2002 operating margins and their accumulated non-operating margins to their respective existing members and patrons. Following the merger, the former members of Baltic will automatically become members of Splitrock (to be renamed Alliance Communications Cooperative, Inc.), and the balance of each respective member's capital credit account will be transferred to the books of Splitrock. No member of either Baltic or Splitrock will lose any capital credits or any entitlement thereto as a result of the merger or dissolution.

7. Following the dissolution of East Plains, its former patrons of will automatically become members of Baltic and will immediately thereafter automatically become members of Splitrock along with the existing members of Baltic. The former patrons of East Plains will change

from being customers of a for-profit corporation to members of a cooperative entitled to vote for members of the board of directors of the cooperative and to receive patronage allocations and dividends.

8. The public interest will not be harmed by the dissolution of East Plains or the subsequent merger of Baltic and Splitrock. There will be no discontinuance, reduction, or impairment of any of the services presently offered by any of Splitrock, Baltic, or East Plains to their respective patrons or the public following the dissolution of East Plains into Baltic and the subsequent merger of Baltic with and into Splitrock solely as a result of those transactions. There will be no change in the method of calculating or paying any of the taxes payable to the State of South Dakota which Splitrock, Baltic, and East Plains are currently subject to. Following the merger and dissolution, Splitrock will continue to provide 911 and enhanced 911 services to all of the exchanges presently serviced by Splitrock, Baltic, and East Plains. The Plan of Merger specifically states that there will be no increase in rates to any of the patrons of the three companies involved solely as a result of the dissolution or merger. The Plan of Merger further specifically states that there will be no reduction in the labor force of any of the three companies involved solely as a result of the dissolution or merger. As such, the number of available service technicians will not decrease. Due to their current shared management and administrative functions, there will be no noticeable change in the management or operations of the companies for their patrons other than the service provider's name following the dissolution and merger.

9. Following the merger and dissolution, Alliance Communications Cooperative, Inc. (f/k/a Splitrock) will serve approximately 8,326 access lines in six local telephone exchanges. The

combined entity will realize savings which may be passed on to the consuming public through economies of scale and further consolidation of management functions. As a considerably larger and more financially sound cooperative, the combined entity will also have greater access to credit improving its competitive position and enabling the cooperative to continue to provide modern, stat-of-the-art telecommunications services to rural areas of South Dakota.

WHEREFORE, Applicants respectfully request that the Commission grant as follows:

A. Approval of the sale, as defined by SDCL § 49-31-59, of the Alcester Exchange and Hudson Exchange from East Plains Telecom, Inc. to Baltic Telecom Cooperative in the manner set forth in this Application and the Plan of Merger;

B. Approval of the sale, as defined by SDCL § 49-31-59, of the Alcester Exchange, Hudson Exchange, Baltic Exchange, and Crooks Exchange from Baltic Telecom Cooperative to Splitrock Telecom Cooperative, Inc. (to be renamed Alliance Communications Cooperative, Inc.) in the manner set forth in this Application and the Plan of Merger;

C. Amendment of the Certificates of Authority currently held by Splitrock Telecom Cooperative, Inc. (to be renamed Alliance Communications Cooperative, Inc.) to permit it to provide local telephone exchange service in the Alcester Exchange, Hudson Exchange, Baltic Exchange, and Crooks Exchange on and after January 1, 2003; and

D. Such other relief, consents, or authorizations as the Commission deems necessary or appropriate and in the public interest to consummate the transactions described in this Application.

Dated this 16th day of September, 2002.

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Attorneys at Law



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100 N. Phillips Ave., 9th Floor

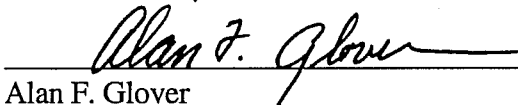
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OCT 28 2002

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UTILITIES COMMISSION**

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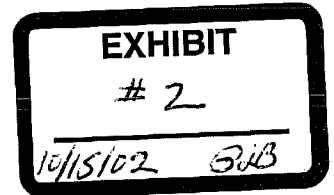
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Harlan Best
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Pierre, SD 57501

Re: Splitrock Telecom Cooperative, Inc. TC02-159
Our File No. BT-280.17



Dear Harlan:

This letter is in response to the inquiries set forth in your letter of September 20, 2002, regarding the Agreement and Plan of Merger to be entered into by and among Splitrock Telecom Cooperative, Inc. ("Splitrock"), Baltic Telecom Cooperative ("Baltic"), and Baltic's wholly-owned subsidiary, East Plains Telecom, Inc. ("East Plains") (the "Plan of Merger"). The responses set forth herein are filed on behalf of Splitrock, Baltic, and East Plains, and are numbered in the order in which they were posed in your letter.

1. What is Splitrock Communications, Inc.?

Splitrock Communications, Inc. is a wholly-owned subsidiary of Splitrock Telecom Cooperative, Inc. The sole activity and purpose of Splitrock Communications, Inc. is to hold a 5.0% general partnership interest in West Central Transport Group. West Central Transport Group provides transport facilities to third parties in eastern South Dakota and western Minnesota.

2. Why not bring Splitrock Properties, Inc. into Splitrock Telecom Cooperative, Inc. at this same time?

Baltic always intended to make the patrons of East Plains members of the cooperative after a reasonable period of time and has consistently represented this to the East Plains patrons since those exchanges were acquired. Baltic and Splitrock agreed to honor this commitment in conjunction with their merger.

The two local telephone exchanges presently served by Splitrock Properties, Inc. were acquired from US West Communications by Splitrock Telecom Cooperative, Inc. for investment purposes. At this

time, Splitrock Telecom Cooperative, Inc. has no plans to change this arrangement.

3. In accordance with Section 49-31-59, please provide answers to each of the following for each exchange that is being brought into Splitrock Telecom Cooperative, Inc.

(a) How is the public interest protected by the Commission's approval of the purchase?

The transactions at issue are not per se "purchases." East Plains is a wholly-owned subsidiary of Baltic, which shares common management and has a nearly identical board of directors. The assets of East Plains are simply being transferred to its parent company, which is under common management. The merger of Baltic with and into Splitrock has more in common with a consolidation than an acquisition. No consideration is being exchanged, the companies already operate under a management agreement, and their boards of directors are being combined. Splitrock's General Manager, Don Snyders, is already the acting general manager of Baltic and East Plains. There will be no noticeable change in management, other than the company's name, as a result of these transactions.

The dissolution of East Plains and the merger of Baltic with and into Splitrock will advance the public interest. The company's commitment to provide state-of-the-art telecommunications services in its territory will continue, since the management group and board of directors will stay in place following the dissolution and merger. Following the dissolution and merger, Splitrock will be a much larger and financially sound cooperative, enabling it to realize economies of scale and to more efficiently allocate its larger work force. Due to its increased size and credit capacity, Splitrock will also be assured of continued access to affordable loan funds. These loan funds will, in turn, be available for investment in upgrade projects in their service territories. The combined entity will also be better situated to survive and prosper in a changing and increasingly competitive telecommunications market.

(b) How is adequate local telephone service ensured by the Commission's approval of the purchase?

As previously stated, the transactions at issue are not per se "purchases." East Plains is a wholly-owned subsidiary of Baltic, which shares common management and has a nearly identical board of directors. The assets of East Plains are simply being transferred to its parent company, which is under common management. The merger of Baltic

with and into Splitrock has more in common with a consolidation than an acquisition. No consideration is being exchanged, the companies already operate under a management agreement, and their boards of directors are being combined. There will be no noticeable change in management, other than the company's name, as a result of these transactions.

Both Baltic and Splitrock have been in the tele-communications business providing service to rural areas of South Dakota for more than fifty years. East Plains has made a substantial investment in the telephone plant in the Hudson and Alcester exchanges since acquiring them from US West Communications in 1997. All three companies currently provide fiber optic networks and DSL broadband internet services in all of their exchanges. Following the dissolution and merger, the company will continue to be headquartered in South Dakota. The management group and boards of directors of Baltic and Splitrock will be combined to comprise the management and board of directors of Alliance Communications Cooperative, Inc. Management's philosophy of providing state-of-the-art telecommunications facilities in its service areas will not change as a result of these transactions.

Following the dissolution and merger, Splitrock will be better situated to continue to provide high quality local service. This includes an ongoing effort to provide upgraded services and facilities to its rural members who might not otherwise have the same technology options as those who live in towns. The combined entity will realize savings through economies of scale and consolidation of duties. It may also be feasible to buy larger equipment capable of serving the larger number of access lines, which has a lower per access line cost. The combined entity will also have a larger credit base, which will allow it to continue to obtain affordable financing to pursue upgrade projects.

(c) How will reasonable local service rates continue to be provided if the purchase is approved?

The current monthly local service rates for the involved companies are as follows:

	<u>Residential</u>	<u>Single Business Line</u>
Splitrock	\$ 8.00	\$ 13.00
Baltic	11.50	15.50
East Plains	12.70	26.00

These local service rates are very reasonable in comparison to the local service rates currently charged by Qwest in neighboring Sioux Falls, which are as follows:

	<u>Residential</u>	<u>Single Business Line</u>
Qwest	\$ 18.25	\$ 38.40

The Plan of Merger specifically states that there will be no increases in rates solely as a result of the transactions contemplated therein.

(d) How will 911 service be provided in the exchanges that are being purchased?

911 service is presently offered in all of the exchanges served by Splitrock, Baltic, and East Plains. There are no plans to discontinue this service following the dissolution and merger.

(e) How will enhanced 911 service be provided in the exchanges that are being purchased?

The equipment required to provide enhanced 911 service is currently in place in all of the exchanges served by Splitrock, Baltic, and East Plains. Minnehaha and Lincoln Counties are making use of the enhanced 911 service offered; however, Union County has not yet implemented an enhanced 911 system.

(f) How will other public safety services be provided in the exchanges that are being purchased?

At the present time, Splitrock, Baltic, and East Plains all maintain emergency battery and generator back-ups in all of their central offices and nodes to insure continued telephone service if electricity is cut off. Each of the companies has also complied fully, at considerable expense, with the Communications Assistance to Law Enforcement Act (CALEA), which requires the installation of switch upgrades to assist the Federal Bureau of Investigation and other law enforcement agencies in monitoring communications between criminal suspects and advancing homeland security.

(g) How will the payment of taxes be continued in the exchanges that are being purchased? Provide a list of each tax that will be paid if the purchase is allowed.

At the present time, Splitrock, Baltic, and East Plains all pay gross receipts tax (in lieu of property tax) and collect sales and use tax on the services they provide. All three companies also collect a monthly charge for 911 service, which is remitted to the appropriate counties.

Following the dissolution and merger, Splitrock will continue to pay gross receipts tax on the revenue generated in the exchanges formerly owned by Baltic and East Plains. Splitrock will also continue to collect sales and use tax on the services provided in those areas and charges for 911 service. There is no basis for Splitrock to claim any exemption from any tax currently imposed by the State of South Dakota solely as a result of the dissolution and merger, and Splitrock does not currently intend to make any such claim.

The dissolution and merger are exempt from federal income taxes under Sections 332 and 368 of the Internal Revenue Code of 1986, as amended.

The response is limited to the taxes paid to the State of South Dakota and its agencies, departments, and subdivisions. It does not address taxes paid to the States of Iowa or Minnesota, or the company's methodology of calculating federal income taxes following the dissolution and merger.

(h) How will the local exchange company provide modern, state-of-the-art telecommunications services to promote economic development, tele-medicine, and distance learning in each exchange that is being purchased?

Splitrock, Baltic, and East Plains all currently offer high-speed internet service through their DSL broadband systems. All of these systems are already capable of accommodating an 8 MB internet connection. This is state-of-the-art technology which can meet the communication requirements for practically any business (including the EROS Data Center which is presently served by Splitrock) or tele-medicine or distance learning program. Splitrock will continue to offer these services in the exchanges currently served by Baltic and East Plains following the dissolution and merger.

Each of these companies has a history of providing high quality communications services in rural areas of South Dakota. Splitrock and Baltic were among the first telecommunications companies to install fiber optic and high-speed internet equipment in rural areas of the state. Their commitment to providing state-of-the-art communications services was clearly demonstrated by the substantial upgrades that were installed in the

Howard and Oldham-Ramona exchanges by Splitrock and the Alcester and Hudson exchanges by Baltic after they were acquired from US West Communications in 1996 and 1997, respectively.

Splitrock, Baltic, and East Plains also fully complied with Gov. Janklow's request that all schools and libraries in their service territories be connected with high-speed internet capabilities before this function was taken over by the state.

Following the dissolution and merger, the boards of directors of Splitrock and Baltic will be combined to form the board of directors of Alliance Communications Cooperative, Inc. Don Snyders will continue to serve as the General Manager of the combined entity. The commitment to provide state-of-the-art telecommunications services to rural South Dakota shown by these boards of directors and management will not change with this transaction.

4. Please provide a list of the present Board of Directors of East Plains Telecom, Inc. This list should indicate who the officers are.

Jeff Haagenson, President
Gary Scott, Vice President
Bob Vosburg, Secretary – Treasurer
Leon Brende, Director
Vince Hanson, Director
Darryll Larson, Director
Bruce Vollan, Director
Lois Wuestewald, Director

5. Please provide a listing of the officers of Baltic Telecom Cooperative.

Vince Hanson, President
Jeff Haagenson, Vice President
Bob Vosburg, Secretary – Treasurer
Leon Brende, Director
Darryll Larson, Director
Bruce Vollan, Director
Lois Wuestewald, Director

6. Exhibit A, Section 3.5: The boards of directors of Baltic and Splitrock immediately prior to the Effective Time shall be combined . . .
Section 5.2(c) Baltic shall deliver resignations of all officers and directors of the company . . .

Please explain how these two sections do not conflict.

The appointment of directors' seats on Splitrock's board relates back to a period prior to the effectiveness of the resignations of Baltic's board members.

Upon consummation of the merger, the separate corporate existence of Baltic shall cease. Since the corporation no longer legally exists, the resignations of its officers and directors must be obtained. These resignations will be drafted to be effective simultaneously with the effectiveness of the merger at 12:02 a.m. on January 1, 2003.

Exhibit D to the Plan of Merger sets forth the amendment to the Bylaws of Splitrock Telecom Cooperative, Inc. which was approved by the cooperative's membership on August 10, 2002. Article III, Section 4 states that the initial board following the merger shall consist of the seven members of the Board of Directors of Splitrock Telecom Cooperative, Inc. on December 31, 2002 and the seven members of the Board of Directors of Baltic Telecom Cooperative on December 31, 2002. This appointment relates back to a point prior to their resignations.

If you have any further questions or require any further clarification, please feel free to contact me at (605) 335-4950. Thank you for your attention to this matter.

Sincerely,


CUTLER & DONAHOE, LLP

Ryan J. Taylor
For the Firm

RJT:sl
cc: Don Snyders

RECEIVED AGREEMENT AND PLAN OF MERGER

OCT 28 2002

by and among

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

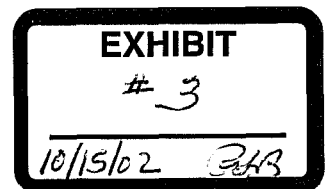
SPLITROCK TELECOM COOPERATIVE, INC.

and

BALTIC TELECOM COOPERATIVE

and its wholly-owned subsidiary

EAST PLAINS TELECOM, INC.



Dated as of _____, 2002

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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (the "Agreement") is made and entered into as of _____, 2002, by and among Splitrock Telecom Cooperative, Inc., a South Dakota cooperative corporation ("Splitrock"), Baltic Telecom Cooperative, a South Dakota cooperative corporation ("Baltic"), and East Plains Telecom, Inc., a South Dakota business corporation and a wholly-owned subsidiary of Baltic ("East Plains"). Certain other terms are used herein as defined below in Article 10 or elsewhere in this Agreement.

RECITALS

A. This Agreement sets forth the terms and conditions under which Baltic will merge with and into Splitrock (the "Merger"). The parties intend that (a) upon completion of the Merger, the separate corporate existence of Baltic shall cease, and (b) for federal income tax purposes, the Merger will constitute a tax-free transaction under Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"). For purposes of this Agreement, Splitrock and Baltic are sometimes referred to herein as the "Constituent Corporations."

B. Pursuant to the Merger, among other things, and subject to the terms and conditions of this Agreement, all of the allocated and unallocated patronage capital of Baltic shall be converted into patronage capital of the Surviving Corporation, subject to the terms and conditions hereinafter provided.

C. The Boards of Directors of both Baltic and Splitrock believe it is in the best interests of both Baltic and Splitrock and their respective members and patrons that Baltic and Splitrock complete a business combination through the merger of Baltic with and into Splitrock and, in furtherance thereof, have approved the Merger, this Agreement, and the transactions contemplated hereby.

D. Following their approval of the Merger, the Boards of Directors of both Baltic and Splitrock have recommended the Merger, as set forth in this Agreement, to their respective members and patrons and have submitted the Merger, as set forth in this Agreement, to a vote of their respective members and patrons for approval.

E. The members and patrons and former members and patrons of Baltic are the sole holders of equity interests in Baltic; and the members and patrons and former members and patrons of Splitrock are the sole holders of equity interests in Splitrock.

F. As a preliminary matter to the Merger, this Agreement sets forth the terms and conditions of the dissolution of East Plains pursuant to the provisions of SDCL Chapter 47-7 (the "Dissolution"), in which East Plains shall transfer substantially all of its assets and assign substantially all of its liabilities to Baltic in complete liquidation just prior to the occurrence of the Merger, as well as, the terms and conditions under which the patrons formerly receiving telephone service from East Plains shall become members of Baltic immediately following the Dissolution. The parties intend that (a) upon completion of the Dissolution, Baltic shall have all requisite power and authority to own and operate the telephone system in the service territory presently assigned to East Plains, and to subsequently transfer such service territory to a

successor by merger or other third party, and (b) for federal income tax purposes, the Dissolution will constitute a tax-free transaction under Section 332 of the Code.

G. Baltic is the sole holder of equity interests in its wholly-owned subsidiary East Plains.

H. Pursuant to the Dissolution, among other things, and subject to the terms and conditions of this Agreement, substantially all of the assets and liabilities of East Plains, as well as, the service territory presently assigned to East Plains, shall be transferred to Baltic and the patrons formerly receiving telephone service from East Plains shall become members of Baltic pursuant to the bylaws of Baltic.

I. The Boards of Directors of both East Plains and Baltic believe it is in the best interests of both East Plains and Baltic and their respective shareholder, members and patrons that East Plains and Baltic complete a business combination through the transfer of substantially all of the assets and the assignment of substantially all of the liabilities of East Plains to Baltic in complete liquidation of East Plains, and in furtherance thereof, have approved the Dissolution, this Agreement, and the transactions contemplated hereby.

J. Following its approval of the Dissolution as set forth in the provisions of this Agreement, the Board of Directors of East Plains has recommended the Dissolution to its sole shareholder, Baltic, and Baltic, as the sole shareholder of East Plains, has approved the Dissolution as set forth in the provisions of this Agreement.

NOW, THEREFORE, in consideration of the covenants, promises, representations and warranties set forth herein, and for other good and valuable consideration, intending to be legally bound hereby, the parties agree as follows:

AGREEMENT

PART I PLAN OF DISSOLUTION OF EAST PLAINS TELECOM, INC.

1. THE DISSOLUTION

1.1 Distribution in Complete Liquidation. East Plains shall close its books as of December 31, 2002, in a manner consistent with past practice. At 12:01 a.m. on January 1, 2003, East Plains shall distribute substantially all of its assets and assign substantially all of its liabilities and obligations to Baltic in complete liquidation of East Plains. Baltic shall accept and acquire all such assets of East Plains distributed to it, subject to all existing Liens, and shall assume all such liabilities and obligations of East Plains, except as such liabilities and obligations may be subject to coverage under existing policies of insurance. The Dissolution shall be conducted in accordance with the provisions and requirements of SDCL Chapter 47-7 and other relevant provisions of the South Dakota Code.

1.2 Dissolution of East Plains. As soon as is practicable following the Closing Date (as hereinafter defined), East Plains shall file with the Secretary of State of the State of South Dakota, articles of dissolution and such other appropriate documents as required by the South Dakota Code. The Dissolution shall become effective at 12:01 a.m. on January 1, 2003, as shall be specified in the articles of dissolution and other filings. Following the effectiveness of the articles of dissolution, East Plains shall be precluded from conducting any business other than that which is necessary to wind up and liquidate its business and affairs as permitted by SDCL § 47-7-6.1. At the direction of the Board of Directors of East Plains, the corporate existence of East Plains shall cease following the conclusion of the winding up and liquidation of its business and affairs.

1.3 Effects of the Dissolution. The Dissolution shall have the effects set forth in the South Dakota Code, and shall specifically cause: (i) the corporate existence of East Plains to cease, as described in **Section 1.2** hereof; (ii) the assigned service territory of East Plains, as designated by the South Dakota Public Utilities Commission, to be transferred to Baltic; (iii) the persons and entities presently receiving telephone service within the assigned service territory of East Plains to become members of Baltic in accordance with the bylaws of Baltic; and (iv) all of the right, title, and interest of East Plains in substantially all of its assets, both tangible and intangible, shall be transferred to Baltic, subject to all existing Liens, and all of the liabilities and obligations of East Plains shall be assumed by Baltic, except as such liabilities and obligations are subject to coverage under existing policies of insurance. The transfer of the assets and the assignment and assumption of the liabilities and obligations set forth in this **Section 1.3(iv)** shall be accomplished as follows:

(a) **Contracts:** Without specific enumeration, all of the contracts and agreements to which East Plains is a party, and which are reasonably necessary for the continued operation of the business of East Plains by Baltic shall be assigned to Baltic by means of an Assignment and Assumption Agreement, substantially identical in form and substance to that which is attached hereto as **Exhibit A** and which is hereby incorporated herein by this reference. In conjunction with such assignment and assumption of such contracts and agreements, East Plains shall obtain the consent of all third parties thereto, if such consent is required by the terms of such contract or agreement or pursuant to a requirement of law, as the case may be;

(b) **Real Property & Real Property Interests:** All of the real property presently owned by East Plains in fee, together with all improvements and structures located thereon, shall be conveyed to Baltic by means of warranty deeds, substantially identical in form and substance to that which is set forth in **Exhibit B** and which is hereby incorporated herein by this reference. All of the leasehold interests and related easements presently held by East Plains shall be assigned to Baltic by means of an Assignment and Assumption Agreement, substantially identical to that which is attached hereto as **Exhibit A**. In conjunction with such assignment and assumption of such leases and easements, East Plains shall obtain the consent of all third parties thereto, if such consent is required by the terms of such lease or easement or pursuant to a requirement of law, as the case may be;

(c) **Personal Property:** All of the equipment, vehicles, inventory, computers, furniture, furnishings, fixtures, and other personal property used in connection with the business of East Plains shall be conveyed to Baltic by means of a Bill of Sale, substantially identical in

form and substance to that which is attached hereto as **Exhibit C** and which is hereby incorporated herein by this reference. In connection therewith, East Plains shall deliver to Baltic all documents evidencing title to such personal property, properly endorsed for transfer;

(d) **Books and Records**: The books, records, customer lists, supplier lists, and other information in East Plains' control or possession relating to, necessary for, or useful in the operation of the business of East Plains shall be delivered into the possession of Baltic and title thereto conveyed by means of a Bill of Sale, substantially identical in form and substance to that which is attached hereto as **Exhibit C**; and

(e) **Licenses, Permits, and Other Authorizations**: To the extent transferable, all licenses, permits, franchises, and governmental authorizations of East Plains held for or used in the operation of the business of East Plains (collectively, the "Permits"), including but not limited to those described in **Schedule 1.3(e)**, shall, to the extent permitted by law, be assigned to Baltic by means of an Assignment and Assumption Agreement substantially identical to that which is attached hereto as **Exhibit A**. In conjunction with such assignment of all such licenses, permits, franchises, and governmental authorizations, East Plains shall obtain the consent of all third parties thereto, if such consent is required by the terms of such licenses, permits, franchises, or governmental authorization or pursuant to a requirement of law, as the case may be.

Without regard to the date of this Agreement or the date on which all requisite approvals have been received, the transfer, assignment, or conveyance of all of the assets described in this **Section 1.3** shall be deemed to occur at 12:01 a.m. on January 1, 2003.

1.4 Directors and Officers. All of the officers and members of the Board of Directors of East Plains prior to the Dissolution shall retain their then existing positions and offices until such time as the business and affairs of East Plains have been wound up and liquidated, at which time, all such officers and directors shall tender their resignations which shall be effective immediately.

1.5 Retained Earnings and Equity of East Plains and Baltic. The former patrons of East Plains shall have no ownership interest or claim in, either equitable or otherwise, the patronage capital or members' equity of Baltic, whether allocated or unallocated, operating or non-operating, as such patronage capital or members' equity relates to any period prior to the effectiveness of the Dissolution. Nor shall the former patrons of East Plains have any ownership interest or claim in the retained earnings, paid in capital or other shareholder's equity of East Plains as such retained earnings, paid in capital or other shareholder's equity relates to any period prior to the effectiveness of the Dissolution.

1.6 Condition Precedent. Notwithstanding any other provision contained herein to the contrary, the effectiveness of the Dissolution shall be conditioned upon the occurrence of the Closing of the Merger, as defined in **Section 5.1** hereof. In the event the Closing of the Merger does not occur as contemplated by the provisions of this Agreement, then the provisions of this Article 1 and the Dissolution shall be without further force or effect.

2. REPRESENTATIONS, WARRANTIES, AND COVENANTS OF EAST PLAINS

As of the date hereof and as of the date of the effectiveness of the Dissolution, East Plains does and shall represent, warrant, and covenant to Baltic as follows:

2.1 Organization, Powers and Qualifications. East Plains is a corporation duly organized, validly existing and in good standing under the laws of the State of South Dakota, and has no subsidiaries. East Plains has all requisite corporate power and authority to carry on its business as it is now being conducted and to own, lease and operate the properties and assets used in connection therewith, and is duly qualified as a foreign corporation authorized to do business and is in good standing in every jurisdiction in which such qualification is required, all of which jurisdictions are disclosed on **Schedule 6.2(a)** hereto, except where the failure to be so qualified would not have a Company Material Adverse Effect.

2.2 Authority; Binding Effect. East Plains has all requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. All necessary action, corporate or otherwise, required to have been taken by or on behalf of it by applicable law, its Charter Documents or otherwise to authorize (i) the approval, execution and delivery on its behalf of this Agreement and (ii) its performance of its obligations under this Agreement and the consummation of the transactions contemplated hereby have been taken. This Agreement constitutes East Plains' valid and binding agreement, enforceable against it in accordance with its terms, except (A) as the same may be limited by applicable bankruptcy, insolvency, moratorium or similar laws of general application relating to or affecting creditors' rights, including without limitation, the effect of statutory or other laws regarding fraudulent conveyances and preferential transfers, and (B) for the limitations imposed by general principles of equity.

2.3 No Conflict; Approvals. Except as set forth on **Schedule 2.3**, the execution and delivery of this Agreement does not, and the consummation of the transactions contemplated hereby will not, (a) violate or conflict with East Plains' Articles of Incorporation or bylaws or (b) constitute a breach or default (or an event that with notice or lapse of time or both would become a breach or default) or give rise to any lien, third party right of termination, cancellation, material modification or acceleration, or loss of any benefit, under any Contract to which East Plains is a party or by which it is bound, or (c) subject to the consents, approvals, orders, authorizations, filings, declarations and registrations specified in **Section 2.4** or in **Schedule 2.3** conflict with or result in a violation of any permit, license or any law, rule or regulation applicable to East Plains or any of its properties or assets, except, in the case of clauses (b) and (c), for any such breaches, defaults, liens, third party rights, cancellations, modifications, accelerations or losses of benefits, conflicts or violations which would not have a Company Material Adverse Effect and would not impair the ability of East Plains to perform its obligations under this Agreement or prevent or delay the consummation of any of the transactions contemplated hereby.

2.4 Governmental Consents and Approvals. Except as set forth in **Schedule 2.4**, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will require any Authorization or filing with or notification to, any local, state, federal or foreign court, administrative agency, commission or other governmental or regulatory authority, agency or instrumentality ("**Governmental Entity**"), except (a) the filings

with and consents or approvals of the state public service commissions, public utility commissions, federal, state, local, or quasi-governmental agencies, departments, or creditors, or similar state regulatory bodies ("Public Utility Commission") which are disclosed on Schedule 2.4, (b) the filing and recording of the Articles of Dissolution in accordance with the South Dakota Code, and (c) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not prevent it from performing its obligations under this Agreement without having a Company Material Adverse Effect.

PART II
AGREEMENT AND PLAN OF MERGER
OF
BALTIC TELECOM COOPERATIVE
AND
SPLITROCK TELECOM COOPERATIVE, INC.

3. THE MERGER

3.1 The Merger. At the Effective Time and upon the terms and subject to the conditions hereof, and in accordance with the relevant provisions of the South Dakota Code, Baltic shall be merged with and into Splitrock. Following the Merger, Splitrock shall continue as the surviving corporation (the "Surviving Corporation") and the separate corporate existence of Baltic shall cease.

3.2 Effective Time. As soon as practicable following the Closing Date, Baltic and Splitrock shall file with the Secretary of State of the State of South Dakota, articles of merger and such other appropriate documents executed in accordance with the South Dakota Code. The Merger shall become effective at 12:02 a.m. on January 1, 2003, as shall be specified in such filing (the "Effective Time"). Each of the Constituent Corporations shall have closed its books in a manner consistent with past practice as of December 31, 2002.

3.3 Effects of the Merger. The Merger shall have the effects set forth in the South Dakota Code, and specifically shall cause (i) each membership in Baltic to be automatically converted to a membership in the Surviving Corporation with no further action on the part of such member of Baltic; (ii) the assigned service territory of Baltic, as designated by the South Dakota Public Utilities Commission, shall become the assigned service territory of the Surviving Corporation; and (iii) each and all of the assets of Baltic shall then and thereby (without any other or additional action by any or all or any combination of the parties or anyone else) become and be the assets of the Surviving Corporation and at the same time, each and all of the liabilities of Baltic shall then and thereby (without any additional other or additional action by any or all or any combination of the parties or anyone else) become the liabilities of the Surviving Corporation.

3.4 Articles of Incorporation and Bylaws. The Articles of Incorporation, as amended, of Splitrock shall be the Articles of Incorporation of the Surviving Corporation from and after the Effective Time until thereafter amended in accordance with the provisions therein and as provided in the South Dakota Code. The bylaws, rules, and policies of Splitrock shall be the bylaws, rules, and policies of the Surviving Corporation from and after the Effective Time,

continuing until thereafter amended in accordance with their terms and the Articles of Incorporation of the Surviving Corporation and as provided by the South Dakota Code.

3.5 Directors and Officers. Immediately following the Effective Time, the General Manager of the Surviving Corporation shall be Don Snyders, unless otherwise agreed upon by the directors of the Surviving Corporation. The boards of directors of Baltic and Splitrock immediately prior to the Effective Time shall be combined and shall collectively comprise the board of directors of the Surviving Corporation immediately following the Effective Time (the "Initial Board"). The Initial Board of directors of the Surviving Corporation shall consist of fourteen (14) members. However, the parties acknowledge and agree that it is the intention of the parties to reduce the number of directors of the Surviving Corporation to eleven (11) members (the "Optimal Number"). On the Effective Date, the bylaws of the Surviving Corporation shall be amended in the manner set forth in Exhibit D attached hereto and incorporated herein by this reference.

4. CONVERSION AND ALLOCATION OF PATRONAGE CAPITAL UPON MERGER

4.1 Allocation of Income and Accumulated Earnings. Just prior to the Effective Time, each of Baltic and Splitrock shall individually allocate to their respective members and patrons all of the unallocated operating and non-operating income and accumulated earnings of each Constituent Corporation. Such allocations shall be conducted in accordance with the respective bylaws of each Constituent Corporation; provided however, that each Constituent Corporation shall make a separate allocation for operating and non-operating income.

4.2 Conversion of Patronage Capital. At the Effective Time, all of the allocated patronage capital of each of Baltic and Splitrock immediately prior to the Effective Time (the "Baltic Patronage Capital" and "Splitrock Patronage Capital," respectively) shall, by virtue of the Merger and without any action on the part of the holder thereof, but subject to the effectiveness of the Merger, automatically be converted into an equal dollar amount of the patronage capital of the Surviving Corporation (the "Surviving Corporation Patronage Capital"). Any equity items of the Constituent Corporations which are unallocated as of the Effective Time, shall by virtue of the Merger, but subject to its effectiveness, automatically become the sole property of the Surviving Corporation, and shall not be attributable to any member, nor shall the Surviving Corporation have any obligation to allocate any such amount to any person.

(a) Subsequent to the Effective Time, the Surviving Corporation shall maintain separate accounts recording the Baltic Patronage Capital derived from operating activities and from non-operating activities and the Splitrock Patronage Capital derived from operating activities and from non-operating activities. Nothing contained herein shall either obligate or prevent the Surviving Corporation to or from retiring patronage capital attributable to differing years of operation or differing amounts of the Baltic Patronage Capital and Splitrock Patronage Capital components of the Surviving Corporation Patronage Capital.

(b) Nothing contained herein shall be interpreted or construed as imposing an obligation on either of the Constituent Corporations or the Surviving Corporation to ever retire allocated patronage capital which is attributable to non-operating income.

(c) On and after the Effective Date, the Surviving Corporation shall allocate its operating and non-operating revenues, as permitted or required by its bylaws, to the members and patrons of the Surviving Corporation without regard to the prior affiliation of such members and patrons with either of the Constituent Corporations.

(d) It is acknowledged that each of the Constituent Corporations has attained different rotation period in the general retirement of its patronage capital. It is the intention of the Constituent Corporations that following the Merger, the Surviving Corporation shall make all commercially reasonable efforts and take all commercially reasonable actions to retire the Baltic Patronage Capital, the Splitrock Patronage Capital, and the Surviving Corporation Patronage Capital so as to cause the oldest years in which there is un-retired Baltic Patronage Capital and un-retired Splitrock Patronage Capital to be equal on or before December 31, 2008. The Board of Directors of the Surviving Corporation shall, consistent with uniform policies and by-laws, seek to establish a single rotation period, provided, however, that a general retirement or partial retirement of the patronage capital of one of the Constituent Corporations which was on a shorter rotation period prior to merger, shall not constitute a violation of the first in first out principal.

4.3 Review by Surviving Corporation's Accountants. As soon as practicable, but in no event later than the regular annual audit of financial statements of the Surviving Corporation, the Surviving Corporation's then independent accountants shall review the allocations of the previously unallocated operating and non-operating income and accumulated earnings of Splitrock and Baltic and all other allocations, retirements, and records of the Surviving Corporation and the Constituent Corporations for accuracy (and the related worksheets, working papers, notes and schedules thereto).

4.4 Dispute Mechanism. In the event that the independent auditors of the Surviving Corporation indicate objections or discrepancies relating to such allocations, retirements, and records, the parties shall endeavor to agree on any matters in dispute raised by the independent auditors. If the parties are unable to agree on any matters in dispute within thirty (30) calendar days of notice of the objection or discrepancy, the matters in dispute shall be submitted for resolution to an independent accounting firm of regional or national reputation as may be mutually acceptable to the board of directors, which may be the Surviving Corporation's independent accountants. Within thirty (30) calendar days of submission of the dispute, such independent accounting firm shall determine and issue a written report to the Surviving Corporation and its board of directors upon such disputed items and such written decision shall be final and binding upon the parties.

4.5 Taking of Necessary Action; Further Action. If, at any time after the Effective Time, any further action is necessary or desirable to carry out the purposes of this Agreement and to vest the Surviving Corporation with full right, title and possession to all assets, property, rights, privileges, powers and franchises of the Constituent Corporations, the officers and directors of the Surviving Corporation are fully authorized to take, and will take, all such lawful and necessary action.

4.6 Rights of Members and Patrons. No member or patron of either Constituent Corporation or of the Surviving Corporation shall be entitled to payment of any item of

patronage capital solely by virtue of the execution of this Agreement or the consummation of the transaction contemplated herein.

5. CLOSING

5.1 Location, Date. The closing (the "Closing") for the Merger and the transactions contemplated thereby shall be held at any time after each of the Constituent Corporations has obtained signatures of their respective requisite officers to the Articles of Merger, and the approval of a majority of a quorum of its members voting thereon, to proceed with the Merger, but in no event shall it occur later than 9:00 a.m. (local time) December 31, 2002, unless the parties hereto agree in writing to another date or place. The date on which the Closing occurs is referred to herein as the "Closing Date."

5.2 Deliveries. At the Closing, subject to the terms and conditions contained herein:

(a) The Constituent Corporations shall deliver to the Secretary of State of the State of South Dakota all such documents as required under the South Dakota Code and the parties shall take all such other and further actions as may be required by the South Dakota Code and any other applicable law to make the Merger effective upon the terms and subject to the conditions hereof;

(b) Baltic and Splitrock shall each deliver to the opposite party duly executed resolutions and authorizations of their respective boards of directors and membership authorizing the Merger;

(c) Baltic shall deliver resignations of all officers and directors of the Company, which shall not take effect until the Effective Time;

(d) the parties shall also deliver to each other the respective agreements, legal opinions and other documents and instruments specified with respect to them in this Agreement or as required to transfer title to the assets and properties of either of the Constituent Corporations to the Surviving Corporation; and

(e) the approval and consent of the South Dakota Public Utilities Commission to the assignment of the designated service areas of Baltic to the Surviving Corporation.

6. REPRESENTATIONS, WARRANTIES, AND COVENANTS OF THE CONSTITUENT CORPORATIONS

As of the date hereof, each of Baltic and Splitrock represents, warrants and covenants to each other and each other's members as follows:

6.1 Organization, Powers and Qualifications. Each of Baltic and Splitrock, as the case may be, is a corporation duly organized, validly existing and in good standing under the laws of the State of South Dakota. Each of Baltic and Splitrock, as the case may be, has all requisite corporate power and authority to carry on its business as it is now being conducted and to own, lease and operate the properties and assets used in connection therewith, and is duly

qualified as a foreign corporation authorized to do business and is in good standing in every jurisdiction in which such qualification is required, all of which jurisdictions are disclosed on Schedule 6.1 hereto, except where the failure to be so qualified would not have a Company Material Adverse Effect.

6.2 Subsidiaries.

(a) Schedule 6.2(a) lists each Subsidiary of Baltic or Splitrock, as the case may be, and the jurisdiction of its organization. Each Subsidiary is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization. Each Subsidiary has all requisite power and authority to carry on its business as it is now being conducted and to own, lease and operate the assets and properties used in connection therewith. Each Subsidiary is duly qualified as a foreign corporation authorized to do business and is in good standing in every jurisdiction in which such qualification is required, all of which jurisdictions are disclosed on Schedule 6.2(a), except where the failure to be so qualified would not have a Company Material Adverse Effect. All issued and outstanding shares of capital stock of each Subsidiary have been duly authorized, are validly issued and outstanding, fully paid, nonassessable, and, except as set forth in the Schedule 6.2(a), are lawfully owned of record and beneficially owned by Baltic or Splitrock, as the case may be, or Subsidiary thereof free and clear of all pledges, liens, claims, security interests, restrictions and other charges or defects in title of any nature whatsoever (“Liens”). Except as disclosed on Schedule 6.2(a), there are no existing subscriptions, options, warrants, convertible securities, calls, commitments, agreements, conversion rights or other rights of any character (contingent or otherwise) calling for or requiring the issuance, transfer, sale or other disposition of any shares of the capital stock of any Subsidiary, or calling for or requiring the issuance of any securities or rights convertible into or exchangeable for shares of capital stock of any Subsidiary, nor is Baltic or Splitrock, as the case may be, or any Subsidiary subject to any obligation (contingent or otherwise) to repurchase, redeem or otherwise acquire shares of capital stock of any Subsidiary. Except for the Subsidiaries set forth on the Schedule 6.2(a), neither Baltic nor Splitrock or any Subsidiary thereof directly or indirectly (i) owns or controls any shares of any corporation nor has any voting securities of, or economic interest in, either of record, beneficially or equitably, in any association, partnership, limited liability company or other legal entity, or (ii) is a general partner of any partnership.

6.3 Articles of Incorporation, Bylaws and Minute Books. The copies of the Articles of Incorporation and all amendments thereto and of the bylaws, as amended, of Baltic and Splitrock and their respective Subsidiaries which have been delivered to the opposite party are true, correct and complete copies thereof as in effect on the date hereof. The minute books of Baltic or Splitrock, as the case may be, and the Subsidiaries thereof which have been made available for inspection contain minutes, which are accurate and complete in all material respects, of all meetings and consents in lieu of meetings of the Board of Directors and committees thereof and the members of Baltic or Splitrock, as the case may be and the Subsidiaries since the respective dates of incorporation.

6.4 Authority; Binding Effect. Each of Baltic or Splitrock, as the case may be, has all requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. All necessary action, corporate or otherwise,

required to have been taken by or on behalf of it by applicable law, its Charter Documents or otherwise to authorize (i) the approval, execution and delivery on its behalf of this Agreement and (ii) its performance of its obligations under this Agreement and the consummation of the transactions contemplated hereby have been taken. This Agreement constitutes each of Baltic's or Splitrock's, as the case may be, valid and binding agreement, enforceable against it in accordance with its terms, except (A) as the same may be limited by applicable bankruptcy, insolvency, moratorium or similar laws of general application relating to or affecting creditors' rights, including without limitation, the effect of statutory or other laws regarding fraudulent conveyances and preferential transfers, and (B) for the limitations imposed by general principles of equity.

6.5 No Conflict; Approvals. Except as set forth on Schedule 6.5, the execution and delivery of this Agreement does not, and the consummation of the transactions contemplated hereby will not, (a) violate or conflict with Baltic's or Splitrock's, as the case may be, Articles of Incorporation or bylaws or the comparable organizational documents of any of their respective Subsidiaries, or (b) constitute a breach or default (or an event that with notice or lapse of time or both would become a breach or default) or give rise to any lien, third party right of termination, cancellation, material modification or acceleration, or loss of any benefit, under any Contract to which Baltic or Splitrock, as the case may be, or any Subsidiary thereof is a party or by which it is bound, or (c) subject to the consents, approvals, orders, authorizations, filings, declarations and registrations specified in Section 4.6 or in Schedule 6.5 conflict with or result in a violation of any permit, license or any law, rule or regulation applicable to Baltic or Splitrock, as the case may be, or any of its Subsidiaries or any of their properties or assets, except, in the case of clauses (b) and (c), for any such breaches, defaults, liens, third party rights, cancellations, modifications, accelerations or losses of benefits, conflicts or violations which would not have a Company Material Adverse Effect and would not impair the ability of Baltic or Splitrock, as the case may be, to perform its obligations under this Agreement or prevent or delay the consummation of any of the transactions contemplated hereby.

6.6 Governmental Consents and Approvals. Except as set forth in Schedule 6.6, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will require any Authorization or filing with or notification to, any local, state, federal or foreign court, administrative agency, commission or other governmental or regulatory authority, agency or instrumentality ("Governmental Entity"), except (a) the filings with and consents or approvals of the state public service commissions, public utility commissions, federal, state, local, or quasi-governmental agencies, departments, or creditors, or similar state regulatory bodies ("Public Utility Commission") which are disclosed on Schedule 6.6, (b) the filing and recording of the Certificate of Merger in accordance with the South Dakota Code, and (c) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not prevent it from performing its obligations under this Agreement without having a Company Material Adverse Effect.

6.7 Financial Statements. Each of Baltic or Splitrock, as the case may be, has delivered to the opposite party true and complete copies of the consolidated balance sheet of Baltic or Splitrock, as the case may be, and their respective Subsidiaries as of December 31, 2001 and December 31, 2000 and the related consolidated statements of operations and comprehensive income, equities, and statements of cash flow for the year then ended, together

with the notes thereto, audited by EideBailly, LLP, all of which have been prepared in accordance with generally accepted accounting principles (“GAAP”) consistently applied throughout the periods involved. Such balance sheet, including the related notes, fairly present the consolidated financial position, assets and liabilities (whether accrued, absolute, contingent or otherwise) of Baltic or Splitrock, as the case may be, and their respective Subsidiaries at the date indicated and such consolidated and consolidating statements of income, changes in stockholders’ equity and statements of cash flow fairly present the consolidated results of operations, changes in stockholders’ equity and cash flow of Baltic or Splitrock, as the case may be, and their respective Subsidiaries for the period indicated. The audited consolidated financial statements at and for the periods ended December 31, 2001, and December 31, 2000 contain all adjustments, which are solely of a normal recurring nature, necessary to present fairly the financial position as of December 31, 2001, and December 31, 2000 and the results of operations and changes in equities and financial position for the period then ended.

6.8 Absence of Certain Changes. Except as disclosed in **Schedule 6.8**, since December 31, 2001 (the “**Balance Sheet Date**”), Baltic and Splitrock, as the case may be, and their respective Subsidiaries have conducted their business solely in the ordinary course consistent with past practice. Except as otherwise disclosed in **Schedule 6.8** since the Balance Sheet Date, Baltic and Splitrock, as the case may be, and their respective Subsidiaries have not:

- (a) suffered any Company Material Adverse Effect;
- (b) been subject to any other events or conditions of any character that would have a Company Material Adverse Effect or impair the ability of Baltic or Splitrock, as the case may be, to perform its obligations under this Agreement or prevent or delay the consummation of any of the transactions contemplated hereby;
- (c) made any material change to their respective financial or tax reporting methods, principles or practices;
- (d) been subject to any revaluation of any assets of Baltic or Splitrock, as the case may be, or any of their respective Subsidiaries that, individually or in the aggregate has had, or would reasonably be expected to have a Company Material Adverse Effect, including writing down the value of capitalized software or inventory or writing off notes or accounts receivable other than in the ordinary course of business consistent with past practice;
- (e) incurred any material liabilities, other than liabilities incurred in the ordinary course of business consistent with past practice, or discharged or satisfied any material Lien, or paid any material liabilities not incurred any cancellation of any material indebtedness other than in the ordinary course of business consistent with past practice, or failed to pay or discharge when due any liabilities of which the failure to pay or discharge has caused or will cause any material damage or risk of material loss to it or any of its material assets or properties.

6.9 Absence of Undisclosed Liabilities. Neither Baltic or Splitrock, as the case may be, nor their respective Subsidiaries have any material indebtedness, liability or obligation of any kind (whether known or unknown, accrued, absolute, asserted or unasserted, contingent or otherwise) except (a) as and to the extent properly reflected, reserved against or otherwise

disclosed in the audited consolidated balance sheet of Baltic or Splitrock, as the case may be, and their respective Subsidiaries as of December 31, 2001, or (b) for liabilities and obligations incurred subsequent to the Balance Sheet Date in the ordinary course of business and which do not have a Company Material Adverse Effect or impair the ability of Baltic or Splitrock, as the case may be, to perform its obligations under this Agreement or prevent or delay the consummation of any of the transactions contemplated hereby.

6.10 Contracts.

(a) Schedule 6.10 lists all written contracts, agreements, arrangements, leases, instruments, mortgages and commitments ("Contracts"), including Contracts which have terminated by their terms and under which the Company is still performing, to which Baltic or Splitrock, as the case may be, or a Subsidiary is a party or may be bound or to which their respective properties or assets may be subject:

(i) which involves \$500,000 or more in value to be paid or received within any twelve (12) month period;

(ii) which is a severance agreement, program or policy of Baltic or Splitrock, as the case may be, or a Subsidiary thereof with or relating to its employees;

(iii) which is a collective bargaining agreement or agreement with any labor union;

(iv) which involves a commission, representative, franchise, distributorship, or sales agency arrangement and which involves \$500,000 or more in value to be paid or received within any twelve (12) month period;

(i) which is a material conditional sale or lease arrangement;

(vi) which is an arrangement limiting or restraining Baltic or Splitrock, as the case may be, or any Subsidiary thereof or any successor thereto from engaging or competing in any manner or in any business; or

(vii) under which Baltic or Splitrock, as the case may be, or any Subsidiary thereof guarantees the payment or performance by others and which involves guarantee obligations of \$500,000 or more in value to be performed in any twelve (12) month period.

(b) All Contracts are valid and binding and in full force and effect as to Baltic or Splitrock, as the case may be, on the date of this Agreement except to the extent they have previously expired in accordance with their terms or except to the extent they have previously expired in accordance with their terms or except to the extent that their invalidity would not have a Company Material Adverse Effect. Except as set forth on Schedule 6.10, none of Baltic or Splitrock, as the case may be, their respective Subsidiaries nor, to Baltic or Splitrock's Knowledge, any other parties, have violated any provision of, or committed or failed to perform any act which with notice, lapse of time or both would constitute a default under the provisions

of, any Contract, the termination or violation of which, or the default under which, might have a Company Material Adverse Effect. True and complete copies of all Contracts listed on Schedule 6.10 together with all amendments thereto through the date hereof, have been made available to the opposite party.

6.11 Authorizations; Compliance With Law.

(a) Baltic or Splitrock, as the case may be, and their respective Subsidiaries hold all licenses, franchises, certificates, consents, permits, approvals, certificates of public convenience and necessity, and authorizations ("Authorizations") from all Governmental Entities and other persons (including without limitation all required Authorizations which may be issued or required by the Public Utility Commissions) which are necessary for the lawful conduct of their respective businesses and their use and occupancy of their assets and properties in the manner heretofore conducted, used and occupied, except where the failure to hold any of the foregoing would not have a Company Material Adverse Effect or impair the ability of Baltic or Splitrock, as the case may be, to perform its obligations under this Agreement.

(b) Each of Baltic or Splitrock, as the case may be, and each of their respective Subsidiaries is in compliance with all, and to Baltic's or Splitrock's, as the case may be, Knowledge has not received written notice of violation of any, applicable laws, authorizations, statutes, ordinances, codes, rules and regulations of any Governmental Entities, except where such violations would not have a Company Material Adverse Effect.

6.12 Taxes.

(a) Baltic or Splitrock, as the case may be, and its respective Subsidiaries have filed (or received an appropriate extension of time to file) all federal, state, local and foreign tax returns, reports, information returns, statements and other similar filings required to be filed by Baltic or Splitrock or their respective Subsidiaries (the "Tax Returns") on or prior to the date hereof with respect to any federal, state, local or foreign taxes, assessments, deficiencies, fees and other governmental charges or impositions (including without limitation all income tax, unemployment compensation, social security, payroll, sales and use, excise, property, ad valorem, gross receipts, severance, business, occupational, transfer, franchise and any other tax or similar governmental charge or imposition (including interest, penalties or additions with respect thereto) under the laws of the United States or any state or municipal or political subdivision thereof or any foreign country or political subdivision thereof) ("Taxes") with the appropriate governmental agencies in all jurisdictions in which such Tax Returns are required to be filed, and all such Tax Returns correctly reflect in all material respects the liabilities of Baltic or Splitrock, as the case may be, and the Subsidiaries for Taxes for the periods, property or events covered thereby.

(b) All Taxes, including those without limitation which are called for by the Tax Returns, or heretofore or hereafter claimed to be due by any taxing authority from Baltic or Splitrock, as the case may be, and their respective Subsidiaries with respect to a Pre-2003 Tax Period have been fully paid or properly accrued. The accruals for Taxes contained in Baltic or Splitrock's 2002 Balance Sheet are adequate to cover the tax liabilities of Baltic or Splitrock, as the case may be, and their respective Subsidiaries as of the Balance Sheet Date and include

adequate provision for all current and deferred taxes, and nothing has occurred subsequent to that date to make any such accruals inadequate.

(c) Neither Baltic or Splitrock, as the case may be, nor any of their respective Subsidiaries have received any written notice of assessment or proposed assessment in connection with any Taxes or Tax Returns, and neither of Baltic or Splitrock, as the case may be, has any Knowledge of any pending tax examinations of or tax claims asserted against Baltic or Splitrock, as the case may be, or their respective Subsidiaries or any of their respective assets or properties. Neither Baltic or Splitrock, as the case may be, nor any Subsidiary thereof has an outstanding agreement or arrangement that has extended, or waived the application of, any statute of limitations of any jurisdiction regarding the assessment or collection of any Taxes nor has Baltic or Splitrock, as the case may be, or any of their respective Subsidiaries been requested to execute any such extensions of the statute of limitations by any taxing authorities.

(d) There are no tax liens (other than any lien for current Taxes not yet due and payable) on any of the assets or properties of Baltic or Splitrock, as the case may be, or of their respective Subsidiaries. Baltic or Splitrock, as the case may be, and the Subsidiaries have made all deposits required by law to be made with respect to employees' withholding and other employment taxes, including without limitation the portion of such deposits relating to taxes imposed upon Baltic, Splitrock, or their Subsidiaries.

(e) Neither Baltic or Splitrock, as the case may be, nor any of their respective Subsidiaries nor, to the Knowledge of Baltic or Splitrock any of their affiliates has taken or agreed to take any action or failed to take any action that is reasonably likely to prevent the Merger from constituting a reorganization qualifying under the provisions of Section 368(a) of the Code.

(f) Neither Baltic or Splitrock, as the case may be, nor any of the Subsidiaries has been a member of an Affiliated Group, within the meaning of Section 1504(a) of the Code, other than the ones in which Baltic or Splitrock was the common parent or filed or been included in a combined, consolidated, or unitary income Tax Return other than the one filed by Baltic or Splitrock.

(g) Each of Baltic and Splitrock has made available to the opposite party copies of all federal and state income Tax Returns filed, examination reports received, and statements of deficiencies assessed against or agreed to by the Company since January 1, 1997.

6.13 Absence of Litigation; Claims. There are no claims, actions, suits, proceedings or investigations, civil or criminal, pending or, to the Knowledge of Baltic or Splitrock, as the case may be, threatened against Baltic or Splitrock or any of their respective Subsidiaries, or any properties or rights of Baltic or Splitrock or that of any of their respective Subsidiaries, or with respect to which any director, officer, employee or agent is or may be entitled to claim indemnification from Baltic or Splitrock or any of their respective Subsidiaries, before any Governmental Entity or arbitrator, which, if decided adversely to Baltic or Splitrock or any such Subsidiary, would have a Company Material Adverse Effect or impair the ability of Baltic or Splitrock to perform its obligations under this Agreement, nor is there any judgment, decree, injunction, rule or order of any Governmental Entity or arbitrator outstanding against Baltic or

Splitrock or any of their respective Subsidiaries having or which, insofar as reasonably can be foreseen, in the future would have such effect.

6.14 Environmental Matters.

(a) Each of Baltic or Splitrock and each of their respective Subsidiaries are in material compliance with all applicable Environmental Laws. Neither Baltic or Splitrock nor any of their respective Subsidiaries has received any communication from any person or Governmental Entity that alleges that Baltic or Splitrock or any of their respective Subsidiaries is not in material compliance with applicable Environmental Laws where such non-compliance would be reasonably likely to have a Company Material Adverse Effect.

(b) Each of Baltic or Splitrock and each of their respective Subsidiaries have obtained or have applied for all material Environmental Permits necessary for the construction of their facilities or the conduct of their operations, and all such material Environmental Permits are effective or, where applicable, a renewal application has been timely filed and is pending agency approval, and each of Baltic and Splitrock and their respective Subsidiaries are in material compliance with all terms and conditions of the Environmental Permits.

6.15 Ownership of Assets. Each of Baltic or Splitrock owns, leases or has adequate rights to use all assets necessary to operate its business as currently conducted, except where the failure thereof would not have a Company Material Adverse Effect. To the Knowledge of Baltic or Splitrock, as the case may be, the assets used by Baltic or Splitrock which are material to the conduct of its business are, in the aggregate, in operable condition, except as would not have a Company Material Adverse Effect.

6.16 Accounts Receivables. The accounts receivable of Baltic and Splitrock as reflected on the accounting records of Baltic or Splitrock respectively represent valid obligations arising from sales actually made or services actually performed in the ordinary course of business.

6.17 Labor Relations. To the Knowledge of Baltic and Splitrock, there is no pending or existing threatened strike, slowdown or work stoppage as respects Baltic or Splitrock's employees. Baltic and Splitrock acknowledge and agree that it is their intention that no employee of either of the Constituent Corporations or the Surviving Corporation shall be terminated solely by virtue of the Merger and that such employees will be retained in substantially similar pay grades and overall compensations. Notwithstanding the foregoing, the Surviving Corporation shall not be required to replace reductions in employment due to natural attrition, nor shall the Surviving Corporation be prevented from terminating any employee for cause, nor shall anything contained herein be construed as creating a contract of employment between any person and the Surviving Corporation or as modifying the at-will status of any employee in any way. Baltic and Splitrock further acknowledge and agree that it is their intention that the Surviving Corporation shall maintain an office within the City of Baltic, unless otherwise directed by a vote of its membership.

6.18 Rate Changes. There shall be no rate changes solely as a result of the Merger. This provision shall not be construed as preventing the Board of Directors of the Surviving

Corporation from establishing different rates from time to time, based on appropriate rate making principles. Service rates for former members and patrons of the Constituent Corporations need not be the same.

Neither Baltic nor Splitrock makes any representations and warranties other than those expressly made in this Article 6.

7. COVENANTS OF BALTIC, SPLITROCK AND THE SURVIVING CORPORATION

7.1 Conduct of Business. Each of Baltic and Splitrock covenants and agrees that, between the date of this Agreement and the Effective Time, unless the opposite party shall otherwise consent in writing, and except as otherwise expressly contemplated in this Agreement, the business of Baltic and Splitrock and their respective Subsidiaries shall be conducted only in, and such entities shall not take any action except in, the ordinary course of business and in a manner consistent with past practice; and Baltic and Splitrock and their respective Subsidiaries will use their commercially reasonable efforts to preserve substantially intact the business organization of Baltic and Splitrock, as the case may be, as well as their respective Subsidiaries, to keep available the services of those of their present officers, employees and consultants that are integral to the operation of their businesses as presently conducted and to preserve the present relationships of Baltic and Splitrock and their respective Subsidiaries, with customers, suppliers and other persons with which Baltic and Splitrock and their respective Subsidiaries have significant business relations.

7.2 Access to Information. Between the date of this Agreement and the Closing Date, each of Baltic and Splitrock will and will cause each of their respective Subsidiaries to (a) give the opposite party and its authorized representatives reasonable access, during regular business hours upon reasonable notice, to all offices, warehouses and other facilities and to all books and records of Baltic or Splitrock, as the case may be, and their respective Subsidiaries, as well as their respective directors, officers, employees, agents, attorneys, accountants and consultants, (b) permit the opposite party to make such reasonable inspections as it may require, and (c) cause its officers and those of its Subsidiaries to furnish the opposite party with such financial and operating data and other information with respect to the business and properties of Baltic or Splitrock and their respective Subsidiaries, as the opposite party may from time to time reasonably request and as Baltic or Splitrock and their respective Subsidiaries may have on hand or be able to produce without undue hardship.

7.3 Further Assurances. Except as otherwise provided herein, each of the parties hereto agrees to use its commercially reasonable efforts to take, or cause to be taken, all appropriate laws, statutes, ordinances, codes, rules and regulations to consummate and make effective the transactions contemplated by this Agreement in the most expeditious manner practicable, including but not limited to the satisfaction of all conditions to the Merger, and to consummate the Merger as promptly as practicable.

7.4 Notification. Each party hereto shall, in the event of, or promptly after obtaining knowledge of the occurrence or threatened occurrence of, any fact or circumstance that would cause or constitute a breach of any of its representations and warranties set forth herein, give

notice thereof to the other parties and shall use its commercially reasonable efforts to prevent or promptly to remedy such breach, provided, however, that none of such notices shall be deemed to modify, amend or supplement the representations and warranties of such party or the disclosure schedules of such party for the purposes of Article 7 or 8 hereof, as the case may be, unless the other party shall have consented thereto in writing.

7.5 Regulatory and Other Authorizations. Each party hereto agrees to use commercially reasonable efforts to comply with all legal requirements which may be imposed on such party with respect to the Merger and to obtain all Authorizations, consents, orders and approvals of Governmental Entities and non-governmental third parties that may be or become necessary for (i) its respective execution and delivery of, and the performance of its respective obligations pursuant to, this Agreement and (ii) the ownership of the assets of Baltic by the Surviving Corporation, and each party will cooperate fully with the other parties in promptly seeking to obtain all such authorizations, consents, orders and approvals.

7.6 Tax-Free Reorganization. The parties intend that the Merger qualify as a "reorganization" within the meaning of Section 368(a)(1)(A) and 368(a)(2)(D) of the Code. Accordingly, from and after the Effective Time, neither Baltic nor Splitrock, as the case may be, nor any of their respective affiliates shall knowingly take any action, or knowingly fail to take any action that is reasonably likely to cause the Merger to fail to be a tax-free reorganization within the meaning of Section 368(a) of the Code and shall each report the Merger as a reorganization within the meaning of Section 368(a) of the Code for purposes of any Tax. Subject to the foregoing, the parties hereto shall not be prohibited from responding to inquiries of any Governmental Entities regarding this Agreement and the transactions contemplated hereby.

7.7 Indemnification of Directors and Officers. The Surviving Corporation shall indemnify the previous and current directors and officers of Baltic to the full extent to which Baltic would be permitted to do so if its existence were to continue beyond the Effective Date and its articles and bylaws remain unchanged from their present state.

8. CONDITIONS TO THE MERGER

8.1 Conditions to Obligations of Each Party to Effect the Merger. The respective obligations of each party to this Agreement to effect the Merger shall be subject to the satisfaction at or prior to the Effective Date of the following conditions:

(a) **No Injunctions or Restraints; Illegality.** No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal or regulatory restraint or prohibition shall have been issued and be in effect restraining or prohibiting the consummation of the Merger or any of the transactions contemplated hereby; nor shall any action have been taken by a Governmental Entity or any federal, state or foreign statute, rule, regulation, executive order, decree or injunction shall have been enacted, entered, promulgated or enforced by any Governmental Entity or arbitrator, which is in effect and has the effect of making the Merger illegal or otherwise prohibiting the consummation of the Merger.

(b) Absence of Company Material Adverse Effect. No Company Material Adverse Effect shall have occurred, and no fact or circumstance shall exist which could reasonably be expected to result in a Company Material Adverse Effect.

(c) Representations and Warranties. Except for representations and warranties which speak as of a date specified, the representations and warranties of Baltic or Splitrock, as the case may be, contained in this Agreement and its disclosure schedules thereto, without giving effect to any supplement or amendment thereto, or in any other document delivered pursuant hereto shall be true and correct in all material respects (provided that any such representation or warranty, which by its terms is qualified as to materiality, shall be true and correct in all respects) on and as of the Closing Date with the same effect as if made on and as of the Closing Date.

(d) Performance. Each of Baltic and Splitrock shall have performed and complied with in all material respects each agreement, covenant and obligation required by this Agreement to be so performed or complied with at or before the Closing.

(e) Consents. All authorizations, consents, orders or approvals of, or declaration or filings with, and all expirations of waiting periods imposed by, any governmental body, agency or official (all of the foregoing, "Consents") which are necessary for the consummation of the transactions contemplated hereby, other than immaterial Consents the failure to obtain which would have no material adverse effect on the consummation of the transactions contemplated hereby and no Company Material Adverse Effect shall have been filed, have occurred, and have been obtained.

(f) Good Standing Certificates. Each of Baltic and Splitrock shall have received good standing certificates of the opposite party from the State of South Dakota, and from each state in which Baltic and Splitrock are required to be qualified to transact business.

(g) Other Documents. Without limitation by specific enumeration of the foregoing, all other documents reasonably required to consummate the transactions contemplated hereby.

(h) Membership Approval. A majority of members, present and voting, at each of the special membership meetings of each of the respective Constituent Corporations have approved the Merger, as set forth in this Agreement.

(i) Change of Name. The Articles of Incorporation of Splitrock shall be amended so as to change the name of Splitrock to Alliance Communications Cooperative, Inc.

(j) Each of the Constituent Corporations has received the approval and consent of the Rural Utilities Services and any other state or federal regulatory body having jurisdiction over such Constituent Corporations, if such approval and consent is necessary or advisable.

9. GENERAL

9.1 **Successors and Assigns.** This Agreement and the rights of the parties hereunder may not be assigned (by operation of law or otherwise) and shall be binding upon and shall inure to the benefit of the parties hereto and their successors and assigns.

9.2 **Expenses.** Whether or not the Merger is consummated, all fees and expenses incurred in connection with the Merger including all legal, accounting, financial advisory, consulting and all other fees and expenses of third parties incurred by a party in connection with the negotiation and effectuation of the terms and conditions of this Agreement and the transactions contemplated hereby, shall be the obligation of the respective party incurring such fees and expenses.

9.3 **Entire Agreement.** This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among Baltic and Splitrock and supersedes any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto, enforceable in accordance with its terms, and may be modified or amended only by written instrument executed by Baltic and Splitrock acting through their respective officers, duly authorized by their respective Boards of Directors.

9.4 **Counterparts.** This Agreement may be executed simultaneously in two or more counterparts, each of which when duly executed and delivered shall be deemed an original and all of which together shall constitute one and the same instrument.

9.5 **Notices.** All notices, requests and other communications to any party hereunder shall be in writing (including telecopier or similar writing) and shall be given to such party at its address or telecopier number set forth below, or such other address or telecopier number as such party may hereinafter specify for the purpose to the party giving such notice. Each such notice, request or other communication shall be effective (i) if given by telecopy, when such telecopy is transmitted to the telecopy number specified in this Section and the appropriate electronic confirmation is received or, (ii) if given by overnight mail, twenty-four (24) hours after such communication is deposited with an overnight courier, addressed as aforesaid, or (iii) if given by any other means, when delivered at the address specified in this Section.

If to Splitrock, addressed to them at:

Splitrock Telecom Cooperative, Inc.
612 3rd Street
P.O. Box 349
Garretson, SD 57030
(605) 594-6745

with a copy to (which shall not constitute notice):

Alan F. Glover
Glover, Helsper & Rasmussen
100 22nd Avenue #200
Brookings, SD 57006
(605) 692-7775

If to Baltic:

Baltic Telecom Cooperative
501 Second Street - P.O. Box 307
Baltic, SD 57003-0307
(605) 529-5454

With a copy to (which shall not constitute notice):

Brian J. Donahoe
Cutler & Donahoe, LLP
100 N. Phillips Avenue, 9th Floor
Sioux Falls, SD 57104
(605) 335-4950

If to East Plains:

East Plains Telecom, Inc.
501 Second Street - P.O. Box 307
Baltic, SD 57003-0307
(605) 529-5454

With a copy to (which shall not constitute notice):

Brian J. Donahoe
Cutler & Donahoe, LLP
100 N. Phillips Avenue, 9th Floor
Sioux Falls, SD 57104
(605) 335-4950

9.6 Governing Law. This Agreement shall be construed in accordance with the laws of the State of South Dakota, without giving effect to any of the provisions thereof that would require the application of the substantive laws of any other jurisdiction.

9.7 Exercise of Rights and Remedies. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any

single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

9.8 **Time**. Time is of the essence with respect to this Agreement.

9.9 **Severability**. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provisions shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

9.10 **Remedies Cumulative**. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

9.11 **Captions**. The headings of this Agreement are inserted for convenience only and shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

10. **DEFINITIONS**. As used in this Agreement, the following defined terms shall have the meanings indicated below:

“Agreement” is defined in the Preamble to this Agreement.

“Authorizations” is defined in Section 6.11.

“Balance Sheet Date” is defined in Section 6.8.

“Baltic” is defined in the preamble of this Agreement.

“Baltic Patronage Capital” is defined in Section 4.2.

“Business Day” means a day other than Saturday, Sunday or any day on which banks located in the State of South Dakota are authorized or obligated to close.

“Charter Documents” means, with respect to any Person, its Articles/Certificates of Incorporation and By-Laws or other organization documents.

“Closing” is defined in Section 5.1.

“Closing Date” is defined in Section 5.1.

“Code” is defined in the Recitals to this Agreement.

“Company Material Adverse Effect” shall mean any fact, condition, event, development or occurrence which, individually or when taken together with all other such facts,

conditions, events, developments or occurrences, could reasonably be expected to have a material adverse effect on the financial condition, operating results, business or prospects of Baltic, Splitrock, the Surviving Corporation, or any of their respective Subsidiaries taken as a whole.

“Consents” is defined in Section 8.1(e).

“Constituent Corporations” is defined in the Recitals to this Agreement.

“Contracts” is defined in Section 6.10.

“Dissolution” is defined in the Recitals to this Agreement.

“East Plains” is defined in the preamble of this Agreement.

“Effective Time” is defined in Section 3.2.

“Environmental Laws” means all applicable foreign, federal, state and local laws (including the common law), rules, requirements and regulations relating to pollution, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or protection of human health as it relates to the environment including, without limitation, laws and regulations relating to Releases of Hazardous Materials, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials.

“GAAP” is defined in Section 6.7.

“Governmental Entity” is defined in Section 2.4.

“Hazardous Materials” means (A) any petroleum or any by-products or fractions thereof, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, any form of natural gas, explosives, and polychlorinated biphenyls; (B) any chemicals, materials or substances, whether waste materials, raw materials or finished products, which are now defined as or included in the definition of ‘hazardous substances,’ ‘hazardous wastes,’ ‘hazardous materials,’ ‘extremely hazardous substances,’ ‘restricted hazardous wastes,’ ‘toxic substances,’ ‘toxic pollutants,’ ‘contaminants,’ or words of similar import under any Environmental Law; and (C) any other chemical, material or substance, whether waste materials, raw materials or finished products, regulated or forming the basis of liability under any Environmental Law in a jurisdiction in which Baltic, Splitrock, the Surviving Corporation or any of their respective Subsidiaries operates.

“Initial Board” is defined in Section 3.5.

“Knowledge” means the current actual knowledge and that knowledge which would be gained with a reasonably diligent investigation.

“Liens” is defined in Section 6.2(a).

“Merger” is defined in the Recitals to this Agreement.

“Optimal Number” is defined in Section 3.5.

“Person” means any individual, corporation, limited liability company, partnership, estate, trust, sole proprietorship, unincorporated society or association, or any entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

“Proceeding” means any action, claim, suit, or arbitration or proceeding (including, without limitation, an investigation or partial proceeding, such as deposition), whether commenced or, to the knowledge of the applicable Person, threatened.

“Public Utility Commission” is defined in Section 2.4.

“Release” means any release, spill, emission, leaking, injection, deposit, disposal, discharge, dispersal, leaching or migration into the environment (including without limitation ambient air, atmosphere, soil, surface water, groundwater or property).

“South Dakota Code” means the South Dakota General Corporation Law, as amended.

“Splitrock” is defined in the preamble of this Agreement.

“Splitrock Patronage Capital” is defined in Section 4.2.

“Subsidiary” or “Subsidiaries” means, with respect to any party, any corporation, limited liability company, partnership, joint venture, or other business association or entity, at least ten percent (10.0%) of the voting securities or economic interests of which is directly or indirectly owned or controlled by such party or by any one or more of its Subsidiaries.

“Surviving Corporation” is defined in Section 3.1.

“Surviving Corporation Patronage Capital” is defined in Section 4.2.

“Tax” or “Taxes” is defined in Section 6.12(a).

“Tax Returns” is defined in Section 6.12(a).

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

BALTIC TELECOM COOPERATIVE

By: _____
Its President

SPLITROCK TELECOM COOPERATIVE, INC.

By: _____
Its President

EAST PLAINS TELECOM, INC.

By: _____
Its President

EXHIBIT A

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (the "Assumption") is made and entered into this ___ day of ___, 2002, by and between East Plains Telecom, Inc., a South Dakota corporation ("East Plains"), and Baltic Telecom Cooperative, a South Dakota cooperative corporation ("Baltic").

This Assumption is entered into pursuant to, and is subject to, the terms of the Agreement and Plan of Merger, of even date herewith, entered into by and among Splitrock Telecom Cooperative, Inc. ("Splitrock"), Baltic, and East Plains (the "Agreement and Plan of Merger"), under which, among other things, East Plains agreed to transfer substantially all of its assets and assign substantially all of its liabilities and obligations to Baltic in complete liquidation of East Plains pursuant to SDCL Chapter 47-7 and Section 332 of the Internal Revenue Code of 1986 as amended, and which Agreement and Plan of Merger, together with all of the exhibits, schedules, and attachments thereto, is hereby incorporated by this reference. Capitalized terms not otherwise defined in this Assumption shall have the meanings given to such terms in the Agreement and Plan of Merger.

NOW, THEREFORE, in consideration of the foregoing premises, the transactions contemplated by the Agreement and Plan of Merger and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, East Plains does hereby irrevocably assign to Baltic all of East Plains' right, title and interest in and to the liabilities to be assumed pursuant to Section 1.2 of the Agreement and Plan of Merger. Baltic does hereby assume and agree to observe, comply with, and perform in accordance with the terms of only those liabilities described in Section 1.2 of the Agreement and Plan of Merger. Baltic does not assume or have any responsibility for any liabilities or obligations of East Plains other than those assumed pursuant to Section 1.2 of the Agreement and Plan of Merger, and neither the execution, delivery and performance of the Agreement and Plan of Merger nor the execution, delivery and performance of this Assumption shall render Transferee liable for any such liability, obligation, undertaking, expense or agreement other than the liabilities expressly assumed pursuant to Section 1.2 of the Agreement and Plan of Merger.

East Plains does hereby further irrevocably assign to Baltic all of East Plains' right, title and interest in and to the assets described in section 1.2 of the Agreement and Plan of Merger, subject to all existing Liens. Baltic does hereby assume and agree to observe, comply with, and perform in accordance with the terms of each of the contracts, leases, easements, permits, licenses, authorizations, franchises, and other agreements assigned pursuant to this Assumption.

No provisions set forth in this Assumption shall be deemed to enlarge, alter or amend the terms and provisions of the Agreement and Plan of Merger. In the event of any conflict between

the provisions of this Assumption and provisions of the Agreement and Plan of Merger, the Agreement and Plan of Merger shall control.

This instrument and the rights of the parties under it shall be governed by and construed in accordance with laws of the State of South Dakota, without regard to its conflicts of laws principles and rules.

This Assumption may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the undersigned have executed this Assumption effective as of the date first written above.

TRANSFEROR:

EAST PLAINS TELECOM, INC.

Jeff Haaganson, President

TRANSFeree:

BALTIC TELECOM COOPERATIVE

Vincent Hanson, President

WARRANTY DEED - CORPORATION

EAST PLAINS TELECOM, INC., a South Dakota corporation, of 501 Second Street, P.O. Box 307, Baltic, South Dakota 57003-0307, for and in consideration of one dollar and other good and valuable consideration, GRANTS, CONVEYS AND WARRANTS to BALTIC TELECOM COOPERATIVE, a South Dakota corporation, of 501 Second Street, P.O. Box 307, Baltic, South Dakota 57003-0307, the following described real estate in the County of Lincoln, State of South Dakota:

_____, Lincoln County, South Dakota,
according to the recorded plat thereof.

Exempt from Transfer Fee pursuant to SDCL § 43-4-22(9)

Dated this 1st day of January, 2003.

EAST PLAINS TELECOM, INC.

<Corporate Seal >

Jeff Haaganson, Its President

STATE OF SOUTH DAKOTA)
 : ss
COUNTY OF MINNEHAHA)

On this, the 1st day of January, 2003, before me, the undersigned officer, personally appeared Jeff Haaganson, who acknowledged himself to be the President of East Plains Telecom, Inc., a corporation, and that he, as such officer being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation by himself as President.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

< SEAL >

Notary Public * South Dakota
My Commission expires: _____

EXHIBIT B-1

WARRANTY DEED - CORPORATION

KNOW ALL MEN BY THESE PRESENTS: That EAST PLAINS TELECOM, INC., a South Dakota corporation having its principal office located at 501 Second Street, P.O. Box 307, Baltic, South Dakota 57003-0307, in consideration of the sum of One Dollar and other good and valuable consideration in hand paid and pursuant to a plan of reorganization, does hereby convey unto BALTIC TELECOM COOPERATIVE, a South Dakota corporation having its principal office located at 501 Second Street, P.O. Box 307, Baltic, South Dakota 57003-0307, the following described real estate situated in Sioux County, Iowa:

_____, Sioux County, Iowa.

No consideration – exempt from transfer fee pursuant to § 428A.2(14).

And the grantor does hereby covenant with the said grantee, and successors in interest, that said grantor holds said real estate by title in fee simple; that grantor has good and lawful authority to sell and convey the same; that said premises are free and clear of all liens and encumbrances whatsoever except as may be above stated; and said grantor covenants to warrant and defend the said premises against the lawful claims of all persons whomsoever, except as may be above stated.

Signed this 1st day of January, 2003.

EAST PLAINS TELECOM, INC., a South Dakota
corporation

Jeff Haaganson, President

STATE OF SOUTH DAKOTA)
 : SS
COUNTY OF MINNEHAHA)

On this, the 1st day of January, 2003, before me, a notary public in and for the County of Minnehaha, State of South Dakota, personally appeared Jeff Haaganson, to me personally known, who being by me duly sworn did say that that person is President of East Plains Telecom, Inc., a South Dakota corporation and that said instrument was signed on behalf of the said corporation by authority of its board of directors and the said President acknowledged the execution of said instrument to be the voluntary act and deed of said corporation by it voluntarily executed.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

< SEAL >

Notary Public * South Dakota
My Commission expires: _____

EXHIBIT C

BILL OF SALE

THIS BILL OF SALE (the "Bill of Sale") is made this ___ day of _____, 2002, by East Plains Telecom, Inc., a South Dakota corporation ("East Plains"), in favor of Baltic Telecom Cooperative, a South Dakota cooperative corporation ("Baltic").

This Bill of Sale is entered into pursuant to, and is subject to, the terms of the Agreement and Plan of Merger, of even date herewith, entered into by and among Splitrock Telecom Cooperative, Inc. ("Splitrock"), Baltic, and East Plains (the "Agreement and Plan of Merger"), under which, among other things, East Plains agreed to transfer substantially all of its assets and assign substantially all of its liabilities and obligations to Baltic in complete liquidation of East Plains pursuant to SDCL Chapter 47-7 and Section 332 of the Internal Revenue Code of 1986 as amended, and which together with all of the exhibits, schedules, and attachments thereto, is hereby incorporated by this reference. Capitalized terms not otherwise defined in this Assumption shall have the meanings given to such terms in the Agreement and Plan of Merger.

In consideration of the foregoing premises, the transactions contemplated by the Agreement and Plan of Merger, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, East Plains does hereby grant, bargain, sell, transfer, assign and convey unto Baltic, its successors and assigns, all of the right, title and interest of East Plains in and to the real and personal property described in Section 1.2 of the Agreement and Plan of Merger.

IN WITNESS WHEREOF, the undersigned has executed this Assignment effective as of the date first written above.

EAST PLAINS TELECOM, INC.

Jeff Haaganson, President

EXHIBIT "D"

AMENDMENTS TO BY-LAWS OF SPLITROCK TELECOM COOPERATIVE, INC. TO BE EFFECTED UPON MERGER OF SPLITROCK TELECOM COOPERATIVE, INC. AND BALTIC TELECOM COOPERATIVE

1.

Wherever the name of SPLITROCK TELECOM COOPERATIVE, INC., appears in the By-Laws, said name shall be deleted and replaced with ALLIANCE COMMUNICATIONS COOPERATIVE, INC.

2.

Section 1 of Article II of the By-Laws, shall be amended to read as follows:

II.

Section 1. Annual Meeting. A regular Annual Meeting of the members of this Cooperative shall be held annually at such place ~~and within the area served by the Cooperative~~ at such time and date as may be determined by the Board.

3.

III.

Directors

Section 1. General Powers. The business and affairs of the Cooperative will be managed by a Board of ~~seven~~ (not more than fourteen) Directors. The Board may exercise all powers of the Cooperative conferred upon them by law, the Articles of Incorporation and these By-Laws, but shall not exercise any power specifically given to the members by law, the Articles of Incorporation and these By-Laws.

Section 2. Qualifications. (Unchanged.)

Section 3. Director Districts. (Section 3 shall be deleted in its entirety and the following new language is substituted.)

Section 3. Director Districts. There are hereby established four (4) Director Districts. Directors shall be nominated and elected from such Director Districts in accordance with these By-Laws. The Director Districts are:

- (a) District 1 shall include all of the area within the Garretson Exchange.
- (b) District 2 shall include all of the area within the Brandon Exchange.
- (c) District 3 shall include all of the area within the Baltic and Crooks Exchanges.
- (d) District 4 shall include all of the area within the Alcester and Hudson Exchanges.

(e) The optimum number of Directors in District 1 shall be three (3), with at least one (1) Director residing outside the City of Garretson; the optimum number of Directors in District 2 shall be three (3), with at least one (1) Director residing outside the City of Brandon; the optimum number of Directors in District 3 shall be four (4). The optimum number of Directors in District 4 shall be one (1).

Section 4. Number and Term of Directors. The initial Board of Directors shall be fourteen (14) and shall consist of the seven (7) members of the Board of Directors of Splitrock Telecom Cooperative, Inc., on December 31, 2002, and the seven (7) members of the Board of Directors of Baltic Telecom Cooperative on December 31, 2002. The Board shall be reduced to eleven (11) Directors within five (5) years from the effective date of merger in the following manner, to-wit:

(a) Prior to the election process commencing in the year 2003, the at large Director residing in District 1 shall become a regular Director in District 1, and existing Directors will be given an option to volunteer for one (1) five (5) year nonrenewable term. A Director who volunteers and is selected for this term will not be permitted to run for any Director position in the election to be held in the year 2008. If more than one Director from District 1 volunteers, the five (5) year voluntary Director will be selected by lot. If there are no Directors who volunteer for the five (5) year term, one (1) Director's name will be drawn from the existing Directors and that Director shall serve for a five (5) year term to the year 2008. That Director will not be disqualified from running for a Director office in the year 2008. All remaining Director positions shall come up for election in their normal rotation between the years 2003 and the year 2008.

(b) District 2, Brandon, is presently at the optimum number of Director positions and those Director positions will come up for election at their normal cycle between the years 2003 and 2008.

(c) District 3, prior to the election process commencing in 2003, three (3) Directors will be assigned five (5) year terms to the year 2008. If a Director volunteers for a five (5) year term, he will be permitted to serve until the year 2008 but will not be permitted to run for office in the year 2008. If there are insufficient volunteers, Directors shall be selected by lot to receive a five (5) year term. Directors who have not volunteered but are selected by lot will be permitted to run for any available position in the year 2008.

(d) A Director will not be elected from District 4 until the election in the year 2008, or until the other Districts reach their optimum, whichever occurs first.

(e) Current Director terms are for three (3) years and are staggered so that not all Director positions come up for election in the same year. In the event the results of the selection of the five (5) year Director terms in District 3 would result in an uneven allocation of Directors to be elected in any one year, the remaining Directors in District 3 shall draw by lots for different terms so as to equalize the terms coming up for election in any one year. Following the election in the year 2008, if the existing Director terms are not staggered so that no more than four (4) Directors come up for election in any one year, those Directors whose terms would end up resulting in a more than four (4) Directors coming up for election in any one (1) year shall draw by lot to alter the terms so that they are staggered as equally as possible.

(f) If, during the five (5) year period, any of the Directors with a five (5) year term shall resign or for any reason vacate said position, that Director position shall not be replaced, except as allowed in subparagraph (d) above.

Any other vacancy shall be filled in accordance with the provisions of these By-Laws.

SCHEDULE 2.3

NON-GOVERNMENTAL CONSENTS AND APPROVALS REQUIRED:

1. Rural Telephone Finance Corporation

SCHEDULE 2.4

GOVERNMENTAL CONSENTS AND APPROVALS REQUIRED:

1. South Dakota Public Utilities Commission
2. Iowa Board of Utilities
3. United States Department of Agriculture – Rural Utilities Service

SCHEDULE 6.1

<u>ENTITY NAME</u>	<u>STATES QUALIFIED IN</u>
1. Splitrock Telecom Cooperative, Inc.	South Dakota Minnesota

SCHEDULE 6.1

<u>ENTITY NAME</u>	<u>STATES QUALIFIED IN</u>
1. Baltic Telecom Cooperative	South Dakota

SCHEDULE 6.2(a)

<u>ENTITY NAME</u>	<u>SUBSIDIARIES</u>		
	<u>STATE OF INCORPORATION</u>	<u>STATES QUALIFIED IN</u>	<u>OWNERSHIP PERCENTAGE</u>
1. Alliance Telecommunications Corporation	Minnesota	Minnesota South Dakota Iowa	12.0%
2. Splitrock Properties, Inc.	South Dakota	South Dakota	100.0%
3. Splitrock Communications, Inc.	South Dakota	South Dakota Minnesota Iowa	100.0%
4. Splitrock PCS, Inc.	South Dakota	South Dakota	100.0%
5. Loretel Systems, Inc.	Minnesota	Minnesota North Dakota	12.0%
6. Felton Telephone Company	Minnesota	Minnesota	12.0%
7. Sioux Valley Telephone Company	South Dakota	South Dakota Minnesota	12.0%
8. Hills Telephone Company	Minnesota	Minnesota Iowa	12.0%
9. Sleepy Eye Telephone Company	Minnesota	Minnesota	12.0%
10. Hager City Telephone Company	Wisconsin	Wisconsin	12.0%
11. Valley Cablevision of SD, Inc.	South Dakota	South Dakota	12.0%

SCHEDULE 6.2(a)

	<u>ENTITY NAME</u>	<u>STATE OF INCORPORATION</u>	<u>STATES QUALIFIED IN</u>	<u>OWNERSHIP PERCENTAGE</u>
1.	East Plains Telecom, Inc.	South Dakota	South Dakota Iowa	100.0%

SCHEDULE 6.5

NON -GOVERNMENTAL CONSENTS AND APPROVALS REQUIRED:

Baltic Telecom Cooperative:

None.

Splitrock Telecom Cooperative, Inc.

None.

SCHEDULE 6.6

GOVERNMENTAL CONSENTS AND APPROVALS REQUIRED:

Baltic Telecom Cooperative

1. South Dakota Public Utilities Commission
2. Iowa Board of Utilities
3. United States Department of Agriculture – Rural Utilities Service

Splitrock Telecom Cooperative, Inc.

1. South Dakota Public Utilities Commission
2. United States Department of Agriculture – Rural Utilities Service

SCHEDULE 6.8

MATERIAL CHANGES AND SUPPLEMENTAL DISCLOSURES:

Baltic Telecom Cooperative:

Baltic Telecom Cooperative has received loan commitments in the amount of \$8,226,000.00 from the Rural Utilities Service.

Pursuant to the provisions of this Agreement and SDCL Chapter 47-7, Baltic Telecom Cooperative intends to dissolve its wholly-owned subsidiary, East Plains Telecom, Inc., on January 1, 2003.

Splitrock Telecom Cooperative, Inc.

None.

SCHEDULE 6.10

MATERIAL CONTRACTS:

Baltic Telecom Cooperative

None.

Splitrock Telecom Cooperative, Inc.

None.

Affidavit of Publication

STATE OF SOUTH DAKOTA)
)SS
COUNTY OF UNION)

RECEIVED

NOV 04 2002

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

PUC NOTICE OF
MEETING

Public Utilities Comm

Paul B. Buum, being duly sworn, says: the Alcester Union is, and during all the times hereinafter mentioned was, a weekly legal newspaper as defined in SDCL 17-2-2, as amended, published at Alcester, Union County, South Dakota; that affiant is and during all of said times was, the publisher of such newspaper and has personal knowledge of the facts stated in this affidavit; that the notice, order or advertisement, a printed copy of which is attached, was published in said newspaper _____ successive issues, bearing the following dates:

OCT. 10, 2002

that the full amount of the fee charged for publishing the same, to-wit, the sum of \$ 41.40 insures solely to the benefit of the publisher of said newspaper; that no agreement or understanding for the division of the fee has been made with any person, and that no part of the fee has been agreed to be paid to any other person.



Subscribed and sworn to before me this 31st day of

October 2002
Michelle Buum
Notary Public, South Dakota

**NOTICE OF HEARING
SOUTH DAKOTA PUBLIC UTILITIES
COMMISSION
WHEN: OCTOBER 15, 2002 at 7:30
P.M. (CDT)
WHERE: GARRETSON AMERICAN
LEGION, GARRETSON, SD
ISSUE: APPROVAL OF MERGER OF
BAL TIC TELECOM COOPERATIVE, INC.
AND EAST PLAINS TELECOM, INC.
INTO SPLITROCK TELECOM
COOPERATIVE, INC.**

The South Dakota Public Utilities Commission (Commission) will hold a public hearing on October 15, 2002, at 7:30 P.M. (CDT), in the Garretson American Legion, 504 North Main, Garretson, South Dakota to consider whether to approve the dissolution of East Plains Telecom, Inc. (East Plains) into its parent, of Baltic

Telecom Cooperative, Inc. (Baltic), and the follow-on merger of Baltic (including the East Plains operations) into Splitrock Telecom Cooperative, Inc. (Splitrock). The dissolution and merger, if approved, will result in the transfer of ownership of the local telephone exchanges in South Dakota owned by Baltic and East Plains to Splitrock.

On September 18, 2002, Splitrock, Baltic and East Plains filed a joint application requesting the Commission to approve a transaction in which East Plains will dissolve into Baltic, and then Baltic (including East Plains) will be merged into Splitrock. The application states that after the merger, Splitrock will change its name to Alliance Communications Cooperative, Inc. According to the application, Baltic, East Plains and Splitrock are currently

(SEAL)

My Commission Expires 5/8/2005

Affidavit of Publication

STATE OF SOUTH DAKOTA)
)SS
COUNTY OF LINCOLN)

RECEIVED

NOV 04 2002

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

PUC NOTICE OF
MEETING

Public Utilities Comr.

Paul B. Buum, being duly sworn, says: The Hudsonite is, and during all the times hereinafter mentioned was, a weekly legal newspaper as defined in SDCL 17-2-2, as amended, published at Hudson, Lincoln County, South Dakota; that affiant is and during all of said times was, the publisher of such newspaper and has personal knowledge of the facts stated in this affidavit; that the notice, order or advertisement, a printed copy of which is attached, was published in said newspaper 1 successive issues, bearing the following dates:

**NOTICE OF HEARING
SOUTH DAKOTA PUBLIC UTILITIES
COMMISSION
WHEN: OCTOBER 15, 2002 at 7:30
P.M. (CDT)
WHERE: GARRETSON AMERICAN
LEGION, GARRETSON, SD
ISSUE: APPROVAL OF MERGER OF
BAL TIC TELECOM COOPERATIVE, INC.
AND EAST PLAINS TELECOM, INC.
INTO SPLITROCK TELECOM
COOPERATIVE, INC.**

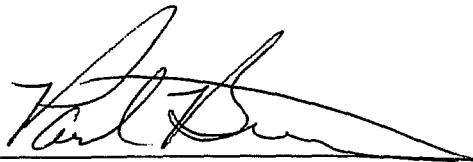
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The South Dakota Public Utilities Commission (Commission) will hold a public hearing on October 15, 2002, at 7:30 P.M. (CDT), in the Garretson American Legion, 504 North Main, Garretson, South Dakota to consider whether to approve the dissolution of East Plains Telecom, Inc. (East Plains) into its parent, of Baltic

OCT. 10, 2002

that the full amount of the fee charged for publishing the same, to-wit, the sum of \$ 41.40 insures solely to the benefit of the publisher of said newspaper; that no agreement or understanding for the division of the fee has been made with any person, and that no part of the fee has been agreed to be paid to any other person.



Subscribed and sworn to before me this 31st day of

October 20 02

Michele Buum

Notary Public, South Dakota

My Commission Expires 5/18/2005

(SEAL)

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

IN THE MATTER OF THE APPLICATION OF)	FINAL DECISION AND
SPLITROCK TELECOM COOPERATIVE, INC.,)	ORDER APPROVING SALE
BALTIC TELECOM COOPERATIVE AND EAST)	OF TELEPHONE
PLAINS TELECOM, INC. FOR APPROVAL OF)	EXCHANGES THROUGH
THE SALE, BY MERGER AND DISSOLUTION,)	DISSOLUTION AND
OF THE ALCESTER, HUDSON, BALTIC AND)	MERGER; NOTICE OF
CROOKS TELEPHONE EXCHANGES AND)	ENTRY OF ORDER
FOR APPROVAL OF AN AMENDMENT TO)	
SPLITROCK TELECOM COOPERATIVE, INC.'S)	TC02-159
CERTIFICATE OF AUTHORITY)	

On September 18, 2002, Splitrock Telecom Cooperative, Inc. (Splitrock) , Baltic Telecom Cooperative (Baltic) and East Plains Telecom, Inc. (East Plains) (together, "Applicants") filed an Application for Approval of a Transfer of Telephone Exchanges and Amended Certificate of Authority seeking approval by the South Dakota Public Utilities Commission (Commission) of: (i) a transaction in which East Plains will be dissolved and its assets, including its local telephone exchanges will be distributed to Baltic, East Plains's sole shareholder, and following such dissolution and distribution, Baltic will merge into Splitrock in accordance with the Agreement and Plan of Merger between the parties; and approval of an amendment to Splitrock's Certificate of Authority to authorize it to provide local exchange telephone service in service area of the exchanges to be transferred to it as a result of the transaction. Applicants seek approval of the dissolution and merger transaction pursuant to SDCL 49-31-59 because the transaction would transfer control of four local telephone exchanges in South Dakota (collectively, the Baltic Exchanges) from the Baltic consolidated enterprise to Splitrock.

On September 19, 2002, the Commission electronically transmitted notice of the filing and the intervention deadline of October 4, 2002, to interested individuals and entities. No petitions to intervene or comments were filed.

A hearing was scheduled for October 15, 2002, at 7:30 p.m., at the Garretson American Legion, Garretson, South Dakota. The hearing was held as scheduled. After hearing the evidence presented by Applicants and Commission Staff, the Commission separately considered and voted on whether to approve the sale of each of the Baltic Exchanges. The Commission voted unanimously in each of the separate votes to approve the sale of each of the Baltic Exchanges to Splitrock through the proposed dissolution and merger, subject to certain conditions. The Commission also unanimously approved the amendment of Splitrock's Certificate of Authority to include the service area of the Baltic Exchanges with an effective date of January 1, 2003.

Having reviewed the evidence of record and being fully informed in the matter, the Commission makes the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

GENERAL FINDINGS

1. Baltic is a South Dakota cooperative headquartered in Baltic, South Dakota. Baltic owns and operates two local telephone exchanges in South Dakota, Baltic and Crooks, serving the cities of Baltic and Crooks and the surrounding areas (Baltic Coop Exchanges). Exhibit 1 at 2.
2. East Plains, a South Dakota corporation, is a wholly-owned subsidiary of Baltic. East Plains owns and operates two local exchanges in South Dakota, serving Alcester and Hudson (East Plains Exchanges). Exhibit 1 at 2.
3. The Baltic Exchanges consist of the Baltic Coop Exchanges and the East Plains Exchanges.
4. Splitrock is a South Dakota cooperative headquartered in Garretson, South Dakota. Splitrock presently owns and operates two local telephone exchanges having approximately 5,268 access lines in the cities of Brandon and Garretson, South Dakota, and the surrounding areas. Splitrock's wholly-owned subsidiary, Splitrock Properties, Inc., operates two local exchanges having approximately 1,562 access lines in the cities of Howard, Oldham and Ramona, South Dakota and surrounding areas. Exhibit 1 at 2.
5. In accordance with the terms and conditions of an Agreement and Plan of Merger among Splitrock, Baltic and East Plains (Plan of Merger), East Plains will dissolve and distribute its assets to Baltic and Baltic will immediately thereafter merge into Splitrock (Transaction). Exhibit 1 at 3-4; Exhibit 3.
6. As a result of the Transaction, the Baltic Exchanges will be transferred to Splitrock.
7. Contemporaneously with the closing of the Transaction, Splitrock will change its name to Alliance Communications Cooperative, Inc. Exhibit 1 at 4.

ADEQUACY OF LOCAL TELEPHONE SERVICE

8. The operations of Baltic, East Plains and Splitrock are currently operated under common management by means of a management agreement between the parties. Transcript at 9. There will accordingly be no noticeable change in the management or operations of the Baltic Exchanges following the Transaction. Exhibit 1 at 3 and 5; Exhibit 2 at 3; Transcript at 9 and 20.
9. Splitrock will retain all current offices and employees of Applicants. Transcript at 21.
10. Applicants have installed and made available to their customers facilities and services that provide state-of-the-art telecommunications services, including at many locations broadband services using DSL. Splitrock will continue these services following the Transaction. Exhibit 2 at 5. The Applicants' commitment to providing enhanced services will not change following the Transaction. Exhibit 2 at 6.

REASONABLENESS OF RATES

11. Following the transaction, the existing rates to the Baltic Exchange subscribers will remain in effect. Transcript at 17, 18 and 21; Exhibit 2 at 3-4; Exhibit 3. The rates of some exchanges may

be increased somewhat in the long term as Alliance adjusts rates to equalize rates among the various exchanges. Transcript at 24. Applicants' rates are lower than the rates provided for comparable service by Qwest in adjoining areas. Transcript at 18; Exhibit 2 at 3-4.

PUBLIC SAFETY ISSUES

12. Applicants provide connectivity to all Public Services Answering Points within their service territories. Emergency services will continue to be provided at least as extensively following the Transaction. Exhibit 1 at 5; Exhibit 2 at 4; Transcript at 18.

ABILITY OF THE BUYER TO PROVIDE SERVICE

13. Applicants have been managed in common at the operational level for several years under a management agreement, and operational management will therefore continue substantially unchanged following the Transaction. Exhibit 1 at 4; Transcript at 9 and 16. Splitrock's management team has extensive experience in the successful management and development of telecommunications cooperatives and operations. Transcript at 9. The management team has been successful in providing both basic telephone service and diverse and advanced service offerings to Applicants' members and patrons. Transcript at 19-20.

PROTECTION OF THE PUBLIC INTEREST

14. At the hearing in Garretson, there was no public opposition to the Transaction or acquisition by Splitrock of the Baltic Exchanges.

15. The dissolution of East Plains, follow-on merger of Baltic into Splitrock and resulting transfer of the Baltic Exchanges from Baltic and East Plains to Splitrock is in the public interest of the customers within the Baltic Exchanges for the following reasons:

- a. Baltic and East Plains have already been operating under a common management agreement with Splitrock pursuant to which Splitrock provides operational management services for all of Applicants. The Transaction will reflect this operational reality in the structure of the entity and will result in operational savings through economies of scale in the provision of management services. Transcript at 16; Exhibit 1 at 6.
- b. There will be no discontinuance, reduction or impairment of any the services, including customer service, presently offered by any of Applicants to their respective subscribers following the Transaction. Exhibit 1 at 5.
- c. Rates will not increase as a result of the sale. Transcript at 17, 18 and 21; Exhibit 3. Rates for some customers may increase in the long term to equalize rates among the different exchanges. Transcript at 23-24.
- d. Emergency services will continue to be provided to the exchanges at the level currently provided. Exhibit 1 at 5; Transcript at 18-19.
- e. Customers in the exchanges will be able to obtain additional, advanced telecommunications services as needed. Transcript at 19-20.

f. Applicants currently provide and Splitrock will continue to provide modern, state-of-the-art telecommunications services that will help promote economic development, tele-medicine, and distance learning in rural South Dakota. Transcript at 19-20.

g. Patrons of East Plains who are not currently cooperative members will become cooperative members of the combined cooperative following the Transaction. Exhibit 1 at 4; Exhibit 2 at 1.

h. Both Splitrock and Baltic are currently in sound financial condition. The combined entity following the Transaction will experience significant cost savings over those currently incurred by the Applicants operating separately, and the combined entity will be financially stronger following the Transaction. Transcript at 16-17; Exhibit 2 at 3.

TAXES

16. The sale of the stock is not expected to affect the payment of state and local taxes. Exhibit 2 at 5; Transcript at 19 and 28.

CONDITIONS OF SALE

17. The Commission's approval of the proposed Transaction and the resulting sale or transfer of the Baltic Exchanges to Splitrock, shall be subject to the following conditions:

a. That the dissolution of East Plains, the subsequent merger of Baltic into Splitrock and the transfer of the Baltic Exchanges proceed substantially in accordance with the terms of the Plan of Merger and Exhibit 1.

b. That Splitrock shall honor all existing contracts, commitments, leases, licenses, and other agreements which relate to, arise from, or are used for the operation of the purchased exchanges;

c. That Splitrock continue to offer all services currently offered by the purchased exchanges;

d. That Splitrock not discontinue any existing extended area service currently provided to the purchased exchanges without first obtaining approval from the Commission; and

e. That the Commission amend the Certificate of Authority of Splitrock in accordance with SDCL 49-31-69 to include the exchanges of Alcester, Baltic, Crooks and Hudson.

SEPARATE VOTE ON EXCHANGES

18. The Commission voted separately on the sale of each of the Baltic Exchanges. The sale of each of the Baltic Exchanges to Splitrock was approved by unanimous vote of the Commission. Transcript at 51-52.

CERTIFICATE OF AUTHORITY

19. Splitrock has demonstrated the requisite technical, financial and managerial capabilities to provide the local exchange services it has applied for authority to provide in the Baltic Exchange service areas. Findings 8-18; Transcript at 39 and 40-41.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the Transaction and sale of the Baltic Exchanges to Splitrock 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.
2. The hearing held by the Commission relative to this matter was an evidentiary hearing pursuant to SDCL Chapter 1-26.
3. The Commission has considered, among other things, the requirements of SDCL 49-31-59 in regard to the proposed sale of stock, and protection of the public interest pursuant to SDCL 49-31-7. The Commission finds that it is in the public interest to approve the Transaction and sale of the Baltic Exchanges because the sale will enable the customers to continue to receive high quality service and the combined entity will achieve economies of scale in its operations.
4. Applicants have satisfied their burden of proof under SDCL Chapter 49-31, specifically 49-31-59 for approval of the Transaction and the sale of the Baltic Exchanges to Splitrock.
5. The Commission has considered the adequacy of local telephone service in reviewing this Transaction and resulting sale of local exchanges. Splitrock is required to provide all services currently offered. In addition, Splitrock must honor existing contracts and other agreements.
6. The Commission has also considered the reasonableness of local rates. Based on its findings that rates for the customers will remain at substantially the same levels as they are presently, that such rates are lower than those offered in the area by Qwest, that except for increases in rates to some customers in the long term to equalize rates between subscribers, no increase in rates is planned at present and that all Baltic Exchange customers will become members of Splitrock following the Transaction and will have input into decisions to set the cooperative's rates, the Commission concludes that the local rates are and will, after the Transaction, be reasonable.
7. Any existing public safety services currently provided will continue.
8. There will be no change in the amount of state taxes paid as a result of the Transaction.
9. Splitrock has the ability to provide modern state-of-the-art telecommunications services that will facilitate economic development, tele-medicine, and distance learning in rural South Dakota after the sale.
10. The Transaction and the resulting sale through merger of the Baltic Exchanges to Splitrock subject to the Conditions of Sale should be approved.

Pursuant to SDCL Chapter 1-26, the Commission hereby enters its final decision in this case. It is therefore

ORDERED, that the dissolution and merger transaction among Splitrock, Baltic and East Plains and the resulting sale or transfer of the Baltic and Crooks local telephone exchanges from Baltic Telecom Cooperative to Splitrock Telecom Cooperative, Inc. and of the Alcester and Hudson local telephone exchanges from East Plains Telecom, Inc. to Splitrock Telecom Cooperative, Inc. is approved subject to the Conditions of Sale set forth herein; and it is further

ORDERED, that, effective January 1, 2003, the Certificates of Authority currently held by Baltic Telecom Cooperative and East Plains Telecom, Inc. shall be transferred to Splitrock Telecom Cooperative, Inc. and the Certificate of Authority of Splitrock Telecom Cooperative, Inc. shall be amended to include the authority to provide local telephone service within the service areas in which Baltic Telecom Cooperative and East Plains Telecom, Inc. have been authorized to provide local telephone service, consisting of the Baltic, Crooks, Alcester and Hudson local exchanges. Upon changing its name to Alliance Communications Cooperative, Inc., Splitrock will file notice of such fact with the Commission.

PLEASE TAKE NOTICE that this Decision and Order in Docket TC02-159 was duly entered this 12th day of November, 2002, and filed in the Commission's docket. Pursuant to SDCL 1-26-32, this Final Decision and Order will take effect 10 days after the date of receipt or failure to accept delivery of the decision by the parties. Pursuant to SDCL 1-26-31, notice of appeal to the circuit court from this decision must be served within thirty days after the service of this Notice of Decision upon you.

Dated at Pierre, South Dakota, this 12th day of November, 2002.

CERTIFICATE OF SERVICE	
The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.	
By:	<u>Melanie Kalbo</u>
Date:	<u>11/13/02</u>
(OFFICIAL SEAL)	

BY ORDER OF THE COMMISSION:

James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner

Robert K. Sahr
ROBERT K. SAHR, Commissioner

AFFIDAVIT OF PUBLICATION RECEIVED

South Dakota Public Utilities Commission

NOTICE OF HEARING
WHEN: OCTOBER 15, 2002 at 7:30 P.M. (CDT)
WHERE: GARRETSON AMERICAN LEGION, GARRETSON, SD
ISSUE: APPROVAL OF MERGER OF BALTIC TELECOM COOPERATIVE, INC. AND EAST PLAINS TELECOM, INC. INTO SPLITROCK TELECOM COOPERATIVE, INC.

State of South Dakota
County of Minnehaha

NOV 15 2002

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

The South Dakota Public Utilities Commission (Commission) will hold a public hearing on October 15, 2002, at 7:30 P.M. (CDT), in the Garretson American Legion, 504 North Main, Garretson, South Dakota to consider whether to approve the dissolution of East Plains Telecom, Inc. (East Plains) into its parent, of Baltic Telecom Cooperative, Inc. (Baltic), and the follow-on merger of Baltic (including the East Plains operations) into Splitrock Telecom Cooperative, Inc. (Splitrock). The dissolution and merger, if approved, will result in the transfer of ownership of the local telephone exchanges in South Dakota owned by Baltic and East Plains to Splitrock.

On September 18, 2002, Splitrock, Baltic and East Plains filed a joint application requesting the Commission to approve a transaction in which East Plains will dissolve into Baltic, and then Baltic (including East Plains) will be merged into Splitrock. The application states that after the merger, Splitrock will change its name to Alliance Communications Cooperative, Inc. According to the application, Baltic, East Plains and Splitrock are currently operating under a common management agreement, and there will be no change in the management or operation of the companies' operations as a result of the transaction. After the merger, the terms, conditions and prices for local exchange service will remain in effect, and members of Baltic and customers of East Plains will become members of Splitrock. The application further states that no member of either Baltic or Splitrock will lose any capital credits or any entitlement to capital credits as a result of the transaction. The members of Baltic and Splitrock each approved the transaction on August 10, 2002, by votes of 174 to 11 and 145 to 3, respectively.

The following Baltic and East Plains local exchanges will be transferred to Splitrock as a result of this transaction:

Baltic: Baltic Exchange and Crooks Exchange, serving the communities of Baltic and Crooks and the surrounding areas (Baltic Exchanges).

East Plains exchanges: Alcester Exchange and Hudson Exchange, serving the communities of Alcester and Hudson (East Plains Exchanges).

The public is invited to participate by testifying at the hearing on a non-party basis pursuant to ARSD 20:10:01:15.06. The order of testimony will be: (1) Splitrock, Baltic and East Plains; (2) Commission Staff; and (3) the Public. All persons testifying, including non-party members of the public, may be cross-examined by the parties to the proceeding.

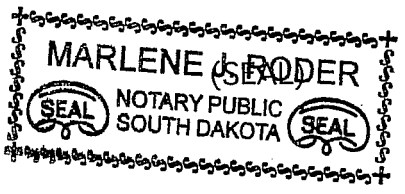
The issues at the hearing will be whether the transfer of ownership of each

Brian Liesinger of said county, being, duly sworn, on oath, says: That he/she is the publisher or an employee of the publisher of the Garretson Weekly, a legal weekly newspaper, published by Prairie Publications in the City of Dell Rapids; in said County of Minnehaha, and State of South Dakota; that he/she has full and personal knowledge of the facts herein stated; that said newspaper is a legal newspaper as defined in SDCL 17-2-2.1 through 17-2-2.4 inclusive; that said newspaper has been published within the said County of Minnehaha and State of South Dakota, for at least one year next prior to the first publication of the attached public notice, and that the notice, order or advertisement, a printed copy of which, taken from the paper in which the same was published, and which is hereto attached and made a part of this affidavit, was published in said newspaper for one successive week(s) to wit:

Table with 2 columns: Date, Year. Row 1: Oct. 10, 2002. Subsequent rows are blank lines for dates.

That the full amount of the fee charged for the publication of the attached public notice insures to the sole benefit of the publisher or publishers; 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 person whomsoever; that the fees charged for the publication thereof are \$ 40.71.

Signature of Brian Liesinger
Subscribed and sworn to before me this 21 day of Oct 2002

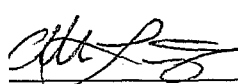



Signature of Marlene J. Roder
Notary Public in and for the County of Minnehaha, South Dakota.

My Commission Expires September 13, 2006

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for the publication of the benefit of the publisher or standing for the division person, and that no part person whomsoever; that are \$ 40.71


ed and sworn to before
21 day of
2002


Public in and for the
of Minnehaha, South

Commission Expires
November 13, 2006

Splitrock. The application states that after the merger, Splitrock will change its name to Alliance Communications Cooperative, Inc. According to the application, Baltic, East Plains and Splitrock are currently operating under a common management agreement, and there will be no change in the management or operation of the companies' operations as a result of the transaction. After the merger, the terms, conditions and prices for local exchange service will remain in effect, and members of Baltic and customers of East Plains will become members of Splitrock. The application further states that no member of either Baltic or Splitrock will lose any capital credits or any entitlement to capital credits as a result of the transaction. The members of Baltic and Splitrock each approved the transaction on August 10, 2002, by votes of 174 to 11 and 145 to 3, respectively.

The following Baltic and East Plains local exchanges will be transferred to Splitrock as a result of this transaction:

Baltic: Baltic Exchange and Crooks Exchange, serving the communities of Baltic and Crooks and the surrounding areas (Baltic Exchanges).

East Plains exchanges: Alcester Exchange and Hudson Exchange, serving the communities of Alcester and Hudson (East Plains Exchanges).

The public is invited to participate by testifying at the hearing on a non-party basis pursuant to ARSD 20:10:01:15.06. The order of testimony will be: (1) Splitrock, Baltic and East Plains; (2) Commission Staff; and (3) the Public. All persons testifying, including non-party members of the public, may be cross-examined by the parties to the proceeding.

The issues at the hearing will be whether the transfer of ownership of each of the Baltic and East Plains Exchanges should be approved. SDCL 49-31-59 requires that the Commission must separately approve the sale of each exchange after considering the following: the protection of the public interest, the adequacy of local telephone service, the reasonableness of rates for local service, the provision 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.

After considering the evidence and testimony presented by the parties and the public at the hearing, the Commission will make a formal final decision. As a result of the hearing, the Commission may either approve or reject the proposed sale of any or all of the Baltic and East Plains local exchanges.

Pursuant to the Americans with Disabilities Act, this hearing will be 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.

The public may obtain copies of the application, non-confidential filings in the case and the formal Order for and Notice of Hearing by contacting the South Dakota Public Utilities Commission, 500 E. Capitol Avenue, Pierre, SD 57501; ph. (800) 332-1782 or (605) 773-3201; fax (605) 773-3809; e-mail: