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DOCKET 2014

IN THE MATTER OF THE SALE OF THE STOCK OF UNION TELEPHONE COMPANY AND ARMOUR INDEPENDENT TELEPHONE COMPANY, INCLUDING ITS WHOLLY OWNED SUBSIDIARY BRIDGEWATER-CANISTOTA INDEPENDENT TELEPHONE COMPANY TO MJD SERVICES CORP.

DATV

MEMORANDA

1/13	99	Filed and Docketed;
1/13	99	Verdict & Findings;
2/9	99	Notice of Appearance by <u>James S. Meyer</u> ;
2/12	99	Order for and Notice of Hearing;
2/24	99	After Hearing that <u>Marvin J. Atterbury</u> be admitted ^{as Agent of J. S. Meyer} the Hon. Vice;
3/18	99	Final Decree and Order approving Sale of Stock; Notice of Entry;
3/18	99	Docket Closed.
5/5	99	Notice of Sale Completion.

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TC 99-005

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January 12, 1999

RECEIVED

JAN 13 1999

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

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

Re: In the Matter of the Sale of the Stock of Union Telephone Company of Hartford
 and Armour Independent Telephone Co, Including Its Wholly-Owned Subsidiary
 Bridgewater-Canistota Independent Telephone Co., to MJD Services Corp.
 Docket No. TC99-

Dear Mr. Bullard:

Enclosed please find an original and eleven copies of the Joint Application, Prefiled
 Direct Testimony of Patrick L. Morse, and Request for Confidential Treatment of Information
 filed on behalf of Union Telephone Company of Hartford, Armour Independent Telephone Co.,
 including its wholly-owned subsidiary Bridgewater-Canistota Independent Telephone Co., and
 MJD Services Corp. in the above referenced Docket. Due to the size of the Stock Purchase
 Agreements, only two copies of those Agreements are attached. A Certificate of Service is also
 enclosed.

Very truly yours,

MOSS & BARNETT
 A Professional Association

Michael J. Bradley
 Michael J. Bradley

MJB/jjh
 Attachments
 2321667



TC99-005

RECEIVED

JAN 13 1999

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

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

IN THE MATTER OF THE SALE OF THE)
STOCK OF UNION TELEPHONE COMPANY OF)
HARTFORD AND ARMOUR INDEPENDENT)
TELEPHONE CO., INCLUDING ITS WHOLLY-)
OWNED SUBSIDIARY BRIDGEWATER-)
CANISTOTA INDEPENDENT TELEPHONE CO.,)
TO MJD SERVICES CORP.)

TC99-

JOINT APPLICATION

Pursuant to SDCL § 49-31-59, Union Telephone Company of Hartford ("Union") and Armour Independent Telephone Co. ("Armour"), including its wholly-owned subsidiary, Bridgewater-Canistota Independent Telephone Co. ("Bridgewater-Canistota") (collectively "the Companies"), and MJD Services Corp. ("MJD") jointly apply to the South Dakota Public Utilities Commission ("Commission") for approval of the sale of the Union and Armour stocks to MJD. While the Union, Armour, and Bridgewater-Canistota stocks are being sold to MJD, an affiliate of MJD, ST Enterprises, Ltd. ("STE") will manage the Union, Armour, and Bridgewater-Canistota exchanges after the sale.

On June 24, 1992, Union and Armour each received a Certificate of Authority to provide telecommunications services in South Dakota. Bridgewater-Canistota similarly received a Certificate of Authority to provide telecommunications services in South Dakota on August 1, 1996. Union, Armour, and Bridgewater-Canistota are each independent telephone companies.



Union operates two exchanges serving the communities of Hartford and Wall Lake with approximately 1,599 access lines (1,330 residential and 269 business). A copy of the Union exchanges map is provided as Exhibit A.

Armour operates one exchange serving the community of Armour with approximately 693 access lines (492 residential and 201 business). A copy of the Armour exchange map is provided as Exhibit B.

Bridgewater-Canistota operates two exchanges (acquired from U S WEST Communications, Inc.) serving the communities of Bridgewater and Canistota with approximately 961 access lines (788 residential and 173 business). Copies of the Bridgewater exchange maps are provided as Exhibit C.

Nonproprietary copies of the Stock Purchase Agreements with their Disclosure Schedules describing the transaction (which omit the purchase price) are provided as Exhibit D. Proprietary copies of the pages that contain the purchase price are being filed separately.

MJD will file testimony supporting the following statements and demonstrating that approval of the stock sales is in the public interest.

1. MJD and its affiliate STE have the financial, managerial and technical capabilities to own and operate Union, Armour, and Bridgewater-Canistota. MJD currently owns and operates Kadoka Telephone Company, the acquisition of which the Commission approved in Docket TC96-167. No customer complaints have been filed with the Commission concerning the operation of Kadoka Telephone Company. MJD, with its affiliates, is currently the 18th largest telephone company in the United States and, with its

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affiliates, operates 17 local exchange companies with a total of approximately 128,000 access lines in ten states.

2. STE has the managerial capabilities to operate the Union, Armour, and Bridgewater-Canistota telephone companies on behalf of MJD. STE has 30 employees and will provide managerial, accounting and other support services to the three Companies. With the exception of the three principal current owners of stock in the Companies, all existing employees will be retained to provide local repair, maintenance and customer services.

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

4. Switched access rates will not change as a result of this sale, except in response to a Commission order.

5. No existing services will be discontinued as a result of this sale, and new services will be made available as required by the customers and as new technology becomes available. None of the companies has a pending request for EAS service.

6. Customers will have the continued ability to communicate with their local telephone company on a toll free basis.

7. Emergency services will be unaffected by the sale, and future 911 services will be provided at whatever level of service the counties request.

8. Each of the companies will comply with the requirements of SDCL 49-31-62 through 65.

9. STE will work with the schools and medical facilities to provide distance learning and tele-medicine as needed. Assistance with grant and loan proposals for these services will also be available.

10. MJD is very aware of the importance of economic development to the communities it serves. MJD supports local economic development efforts and will support the local economy by buying supplies and services locally whenever possible.

11. Tax payments will be unaffected by this sale. The Companies are independent telephone companies and pay gross receipts taxes. The telephone operations will continue to qualify as independent telephone company operations after the stock sale and, therefore, gross receipts taxes will continue to apply.

12. No facility changes are currently contemplated. The switches and outside plant are in excellent condition.

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

14. Union, Armour, and Bridgewater-Canistota have received Eligible Telecommunications Carrier ("ETC") status, and will continue to qualify as ETCs after the stock transactions.

The sale is scheduled to close as soon as possible after receiving the required Commission approval. FCC approval is not required. Therefore, the applicants respectfully request expedited treatment of this matter by the Commission.

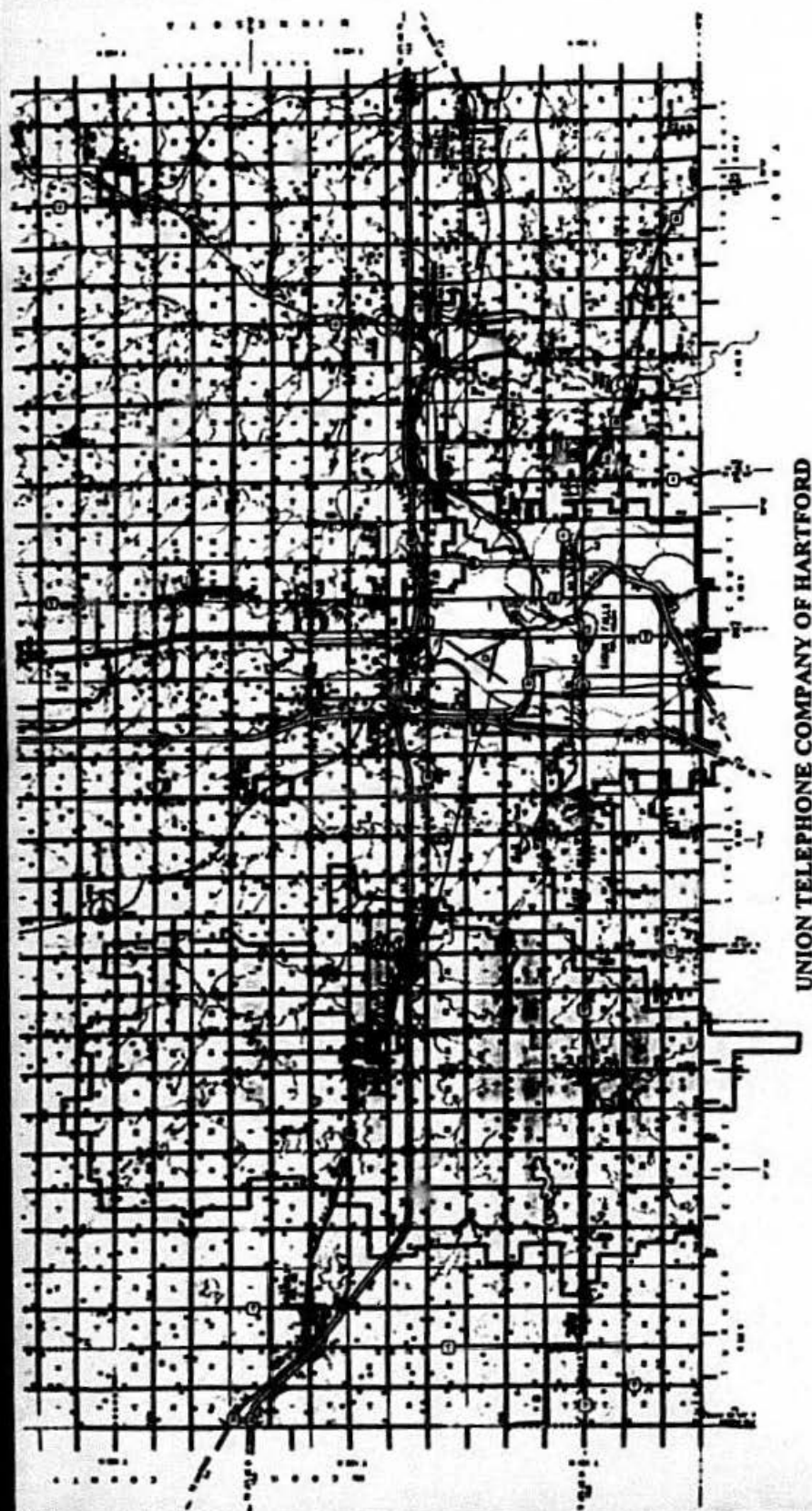
Dated: January 12, 1999

Respectfully submitted:

By William Haugen Sr.
William Haugen Sr.
President
Armour Independent Telephone Co.
Bridgewater Canistota Independent
Telephone Co.
Union Telephone Company

By Michael J. Bradley
Michael J. Bradley
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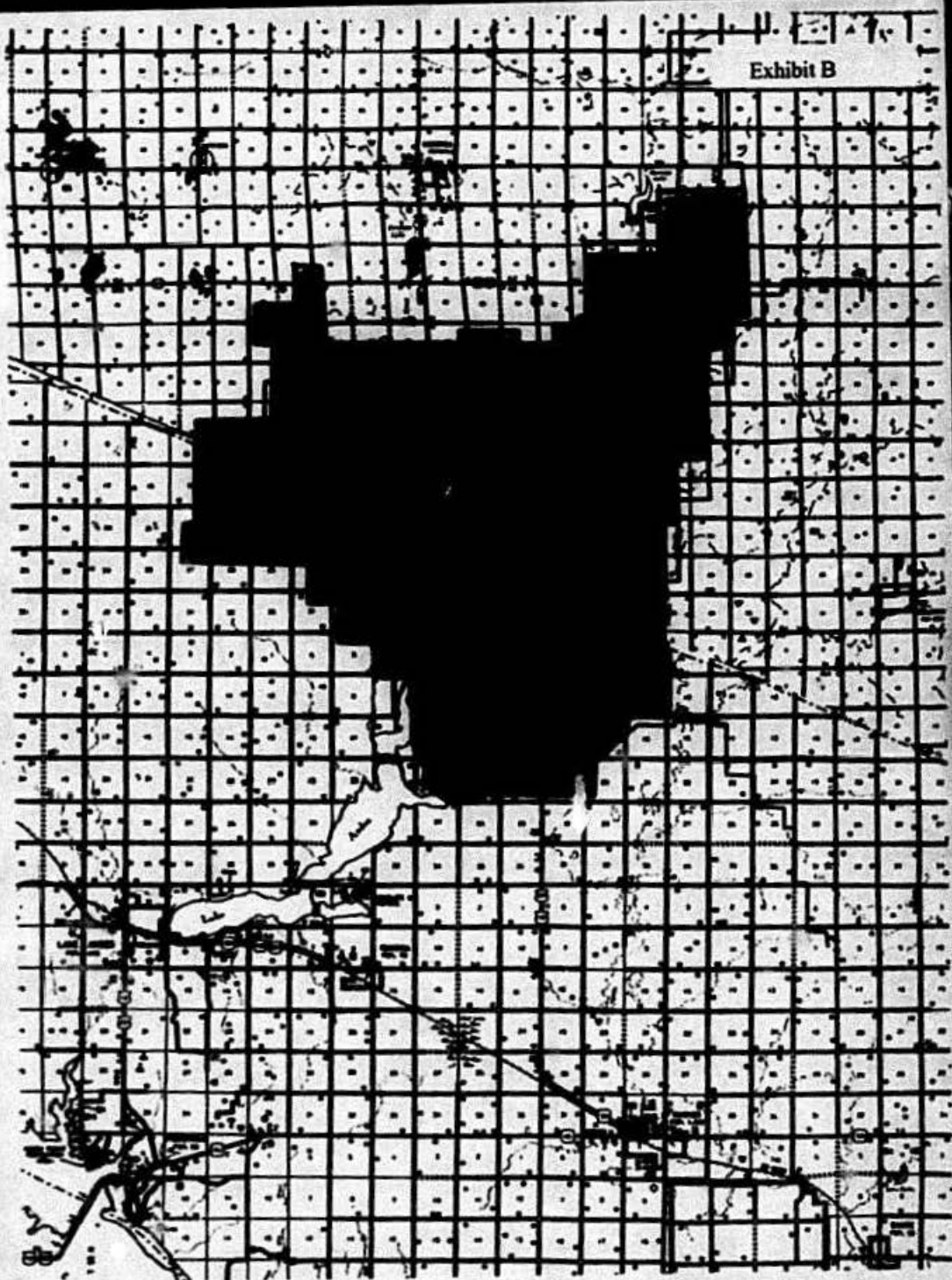
Attorneys or Behalf of
MJD Services Corp.



UNION TELEPHONE COMPANY OF HARTFORD

**UNION TELEPHONE COMPANY
AND RELATED COMPANIES
BOUNDARY EXCHANGE MAPS
AND FIBER DISTRIBUTION MAPS**

- | | |
|--------------------------------|---------------------|
| 36 Fiber Exchange | 6 Fiber Interchange |
| 24 Fiber Both Inter & Exchange | 4 Fiber Interchange |
| 8 Fiber Interchange | Union Exchange |



**UNION TELEPHONE COMPANY
AND RELATED COMPANIES**

**BOUNDARY EXCHANGE MAPS
AND FIBER DISTRIBUTION MAPS**

ARMOUR INDEPENDENT TELEPHONE CO.

- | | |
|---|-------------------------|
| ■ 48 Fiber Exchange | ■ 4 Fiber Interexchange |
| ■ 24 Fiber Exchange | ■ 8 Fiber Interexchange |
| ■ Armour Independent Telephone
Company Exchange Boundary | |

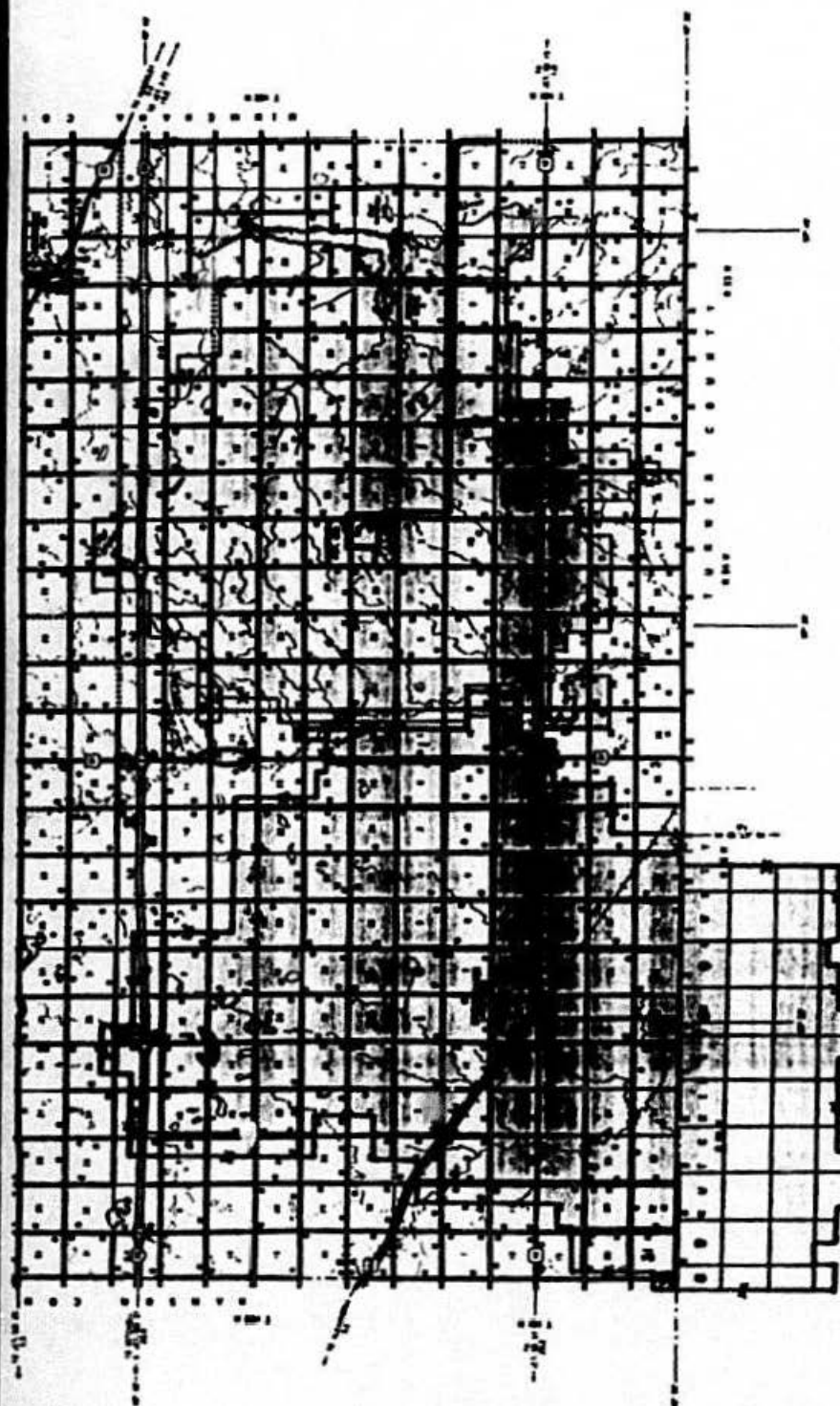


Exhibit D

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JAN 12 1999

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

**UNION TELEPHONE COMPANY
STOCK PURCHASE AGREEMENT**

EXHIBITS

Exhibit A	List of Shareholders
Exhibit B	List of Excluded Assets
Exhibit C	Form of Transition Services Agreement
Exhibit D	Form of Noncompetition Agreement
Exhibit E	Opinion of Buyer's Counsel
Exhibit F	Opinion of the Shareholders' and Union's Counsel

SCHEDULES

Schedule 4.6	.....	Union Financial Statements
Schedule 4.7	.....	Material Changes
Schedule 4.9	.....	Litigation
Schedule 4.11	.....	Employee Benefit Plans
Schedule 4.14	.....	Subsidiaries and Investments
Schedule 4.15	.....	Insurance Policies
Schedule 4.16	.....	Employees and Employment Agreements
Schedule 4.17	.....	Material Contracts
Schedule 4.19	.....	Description of Real and Personal Property Owned or Leased
Schedule 4.22	.....	Environmental Matters
Schedule 4.23	.....	Affiliate Transactions
Schedule 4.25	.....	Permits and Reports
Schedule 4.26	.....	Liabilities
Schedule 5.0	.....	Exceptions to Covenants

This Stock Purchase Agreement (the "Agreement") is made as of December 24th, 1998, among MJD Services Corp., a Delaware corporation (the "Buyer"); Union Telephone Company of Hartford, a South Dakota corporation ("Union"); Union TelNET, Inc. a South Dakota corporation; KM Satellite, Inc., a South Dakota corporation; and William G. Haugen, Sr., Marilyn M. Haugen, and William G. Haugen, Jr., individuals and the majority holders of the outstanding stock of Union (collectively, the "Shareholders").

WHEREAS, the Shareholders own 93.2 percent of the issued and outstanding shares of the common stock of Union (the "Haugen Shares"), with the number of shares and percentages set forth on Exhibit A hereto; and

WHEREAS, Union is the beneficial owner of 100 percent of the issued and outstanding common stock of Union TelNet, Inc. and KM Satellite, Inc.; and

WHEREAS, Buyer desires to purchase all of the issued and outstanding shares of common stock of Union, including the Haugen Shares from the Shareholders, and the Shareholders desire to sell the Haugen Shares to Buyer upon terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

Article 1 AGREEMENT TO PURCHASE AND SELL

1.1 **Purchase and Sale.** At Closing (as defined below), Buyer shall purchase the Haugen Shares from the Shareholders and all shares of common stock of Union offered for sale by Minority Shareholders (as defined below) at the price and upon the terms and conditions set forth herein, and the Shareholders shall sell the Haugen Shares to Buyer. The conveyance of the Haugen Shares shall be made by the Shareholders to Buyer free and clear of all options, liens, claims, restrictions and encumbrances of any nature whatsoever (collectively, "Liens"). Exhibit B to this Agreement sets forth a list of assets to be sold by Union or distributed to the Shareholders prior to Closing, and excluded from the assets to be owned by Union as of the Closing Date. The parties hereto acknowledge, without way of limiting the foregoing that Union has sold, prior to the execution of this Agreement: (i) all of its 11.25% limited partnership interest in the Sioux Falls Cellular Limited Partnership, all of its 36,962.5 shares of capital stock of Dakota Systems, Inc., and all of its 65,536 shares of capital stock of Eastern South Dakota Cellular, Inc. (the "Cellular Interest"), and (ii) all properties, assets and interests owned or used by Union in connection with its DIRECTV direct broadcast satellite business (the "DBS Interest"), and that the Shareholders shall assume any and all liabilities arising from the ownership of the Cellular Interest or the DBS Interest, both prior to and subsequent to the Closing, as

well as those liabilities resulting from the transfer of the Cellular Interest or the DBS Interest, and shall indemnify Buyer with respect to such liabilities, as provided in Section 6.1(e) hereof; provided, that Buyer shall be subject to the noncompete entered into by Union with Pegasus Communications Corporation in connection with the sale by Union of its DBS Interest.

1.2 Equal Offer to Minority Shareholders. It is Buyer's desire to purchase 100% of all issued and outstanding Union common stock at Closing. Buyer agrees to offer the twelve (12) shareholders (the "Minority Shareholders") owning the remaining twelve (12) shares of Union common stock not owned by the Shareholders the same Price Per Share (as defined in Section 2.1 below) as it agrees to pay to the Shareholders. The Shareholders agree to use their best efforts to fully inform the Minority Shareholders of the transactions contemplated by this Agreement and to obtain the sale of all shares held by the Minority Shareholders; provided, that the purchase by Buyer of any shares held by the Minority Shareholders is not a condition to Closing hereunder.

1.3 Closing. The consummation of the transactions contemplated herein (the "Closing") shall take place at the offices of Union Telephone Company, 116 North Main Avenue, Hartford, South Dakota, at 10:00 a.m. local time, on the first business day of the calendar month, immediately following the calendar month in which all required regulatory approvals, notices and consents have been given and obtained, so long as such day is at least ten (10) calendar days after receipt of such regulatory approvals, or at such other time and place as Buyer and the Shareholders may mutually agree (the "Closing Date").

1.4 Shareholders' Representative. William G. Haugen, Jr. shall be the "Shareholders' Representative" or, in the event of his death or inability to so act, William G. Haugen, Sr. shall be the Shareholders' Representative with respect to the Shareholders. The Shareholders, by execution of this Agreement, authorize the Shareholders' Representative to take such action on their behalf as the Shareholders' Representative is herein authorized to take or as such Shareholders' Representative may deem necessary or advisable in order to carry out the purposes and intents of this Agreement.

1.5 Union Subsidiaries. For purposes of this Agreement, except where expressly stated otherwise, all references to "Union," shall include references to its wholly-owned subsidiaries, Union TelNet, Inc. and KM Satellite, Inc.

Article 2 PURCHASE PRICE

2.1 Purchase Price. (a) Buyer shall purchase the shares of Union common stock, including the Haugen Shares from the Shareholders, at a price per share of Union common stock (defined as the "Price Per Share") equal to the Adjusted

Purchase Price (as defined below) divided by 174 (or, if different, the number of shares of Union common stock issued and outstanding as of the Closing Date). The Adjusted Purchase Price shall be the sum of [REDACTED] (the "Base Purchase Price"), plus the "Increase in Stockholders' Equity" as defined in accordance with Section 2.1(b) below, which amount shall be payable in accordance with this Article 2, including the escrow provisions of Section 2.3 below.

(b) The Base Purchase Price shall be adjusted by adding to it the "Increase in Stockholders' Equity", determined as follows:

(i) Buyer and the Shareholders acknowledge that as of December 31, 1997, Union's balance sheet reflected total stockholders' equity of [REDACTED]. The "Increase in Stockholders' Equity" shall be determined by:

(I) Subtracting the total Stockholders' Equity as of December 31, 1997 [REDACTED] from the Total Stockholders' Equity of Union (on a consolidated basis) as of the Closing Date, and

(II) Adding (x) Union's investment in the Cellular Interest as reflected on the December 31, 1997, balance sheet, which is [REDACTED], and (y) Union's investment in the DBS Interest as reflected on the December 31, 1997, balance sheet, which is [REDACTED]

(ii) The sum of the Base Purchase Price and the Increase in Stockholders' Equity as determined above, shall be referred to herein as the Adjusted Purchase Price. The Adjusted Purchase Price shall be based on an estimated closing balance sheet of Union prepared in good faith by the Union accountants/consultants, subject to Buyer's review and approval thereof, which shall not be unreasonably withheld.

2.2 Closing Date Payment and Receipt of Shares. On the Closing Date, (i) all Union shareholders selling shares of Union common stock, including without limitation, the Shareholders (defined herein as the "Selling Shareholders") will assign and transfer to Buyer good and valid title in and to such shares of Union common stock, including without limitation, the Haugen Shares, free and clear of all Liens, by delivering to Buyer stock certificates representing all such shares of Union common stock, duly endorsed for transfer or accompanied by duly executed stock powers endorsed in blank with requisite stock transfer tax stamps, if any, attached; (ii) Buyer shall, by wire transfer of same-day funds, pay to the Selling Shareholders, including without limitation, the Shareholders, in accordance with the number of shares of Union common stock shown on Exhibit A attached hereto, the amount of the Price Per Share, as determined in accordance with Section 2.1 above, multiplied by the number

of shares of Union common stock shown on Exhibit A for such Selling Shareholders being transferred to Buyer hereunder, except that with respect to the Minority Shareholders, a portion of the purchase price shall be deposited into escrow as provided in Section 2.3 below (the "Closing Payment"); and (iii) the parties shall deliver to each other the documents required under this Agreement to be delivered at or prior to the Closing (which shall include, with respect to those Minority Shareholders selling their shares of Union common stock, appropriate representations and warranties as to ownership, authority and the absence of Liens).

2.3 Post-Closing Adjustments to the Purchase Price. The Closing Payment payable by Buyer to the Selling Shareholders on the Closing Date pursuant to Section 2.2 hereof may be adjusted as follows. At the time of Closing, that total portion of the Closing Payment attributable to, and to be paid to Minority Shareholders who are also Selling Shareholders (referred to herein as "Minority Selling Shareholder(s)") shall be reduced by [REDACTED] with such Closing Payment made to each Minority Selling Shareholder reduced on a pro rata basis. Such [REDACTED] shall be held in escrow for the benefit of the Minority Selling Shareholders in accordance with the provisions of this Section 2.3. Such escrow may be a law firm trust account designated by Union, or other designee mutually acceptable to Union and Buyer (such entity is designated herein as the "Escrow Agent"). No interest shall be paid on the funds held by the Escrow Agent. Within ninety (90) days after the Closing Date, Buyer and the Shareholders shall prepare a closing balance sheet for Union as of the close of business on the Closing Date (the "Closing Balance Sheet"), which shall be mutually acceptable to the Shareholders and Buyer and their respective independent public accountants. The Closing Balance Sheet shall be prepared in accordance with GAAP and consistent with Union's past practices. The amount of the Adjusted Purchase Price shall be increased or decreased, as the case may be, by the difference, if any, between the Adjusted Purchase Price determined in good faith as of the Closing Date and the Adjusted Purchase Price as such is determined based on the Closing Balance Sheet. If, as a result of the foregoing adjustment, the Adjusted Purchase Price is increased, Buyer shall pay the Selling Shareholders, in accordance with their percentage interests shown on Exhibit A hereto relative to all Selling Shareholders (the "Percentage Interests"), the amount of such increase by wire transfer of same-day funds within ten (10) business days of the date on which the parties agree on the Closing Balance Sheet, and the Escrow Agent shall release all funds to the Minority Selling Shareholders. If, as a result of the post-closing adjustment, the Purchase Price is decreased, the Shareholders shall refund to Buyer, in accordance with their Percentage Interests, the amount of such decrease by wire transfer of same-day funds within ten (10) business days of the date on which the parties agree on the Closing Balance Sheet, and the Escrow Agent shall refund to Buyer the amount of the decrease by wire transfer of same-day funds (within ten (10) business days of the date on which the parties agree on the Closing Balance Sheet) owed by the Minority Selling Shareholders to Buyer in accordance with their Percentage Interests. If the funds escrowed are insufficient to pay the refund owed to Buyer by the Minority Selling Shareholders, then the Minority Selling Shareholders shall each immediately

refund to Buyer by wire transfer of same day funds their pro rata share of such shortfall. If the escrow funds exceed the amount of such refund owed, then the remainder of such escrow funds shall be released to the Minority Selling Shareholders by the Escrow Agent. All Minority Selling Shareholders, as a condition to the sale of their shares to Buyer hereunder, shall agree in writing to the terms and conditions of these Section 2.3 post-closing adjustments.

Article 3

REPRESENTATIONS AND WARRANTIES OF BUYER

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

3.1 Organization of Buyer. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware with full corporate power and authority to carry on the business in which it is engaged, to own, lease and operate its properties and to enter into and perform its obligations under this Agreement.

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

3.3 Regulatory Approvals. At Closing, Buyer shall have given all notices to and have obtained from all local, state and federal regulatory authorities any approvals, consents, permits and authorizations required in order to consummate the transactions contemplated in accordance with this Agreement, all as more particularly provided in Section 7.1 hereof.

3.4 Access to Books and Records. Buyer has carefully reviewed this Agreement and in deciding to purchase the Union common stock has reviewed and is continuing to review information set forth in the books and records of Union. Buyer acknowledges and agrees that, to the best of its knowledge, all documents, records and books pertaining to this transaction requested to date have been made available for inspection by Buyer and its representatives. Buyer has had and continues to have a reasonable opportunity to ask questions of and receive answers from the Shareholders and Union concerning all aspects of the business of Union, including, without limitation, their assets and liabilities, and, to the best of its knowledge, all

such questions to date have been answered to the full satisfaction of Buyer and its representatives. Buyer further represents that its management has such knowledge and experience in financial and business matters that management is capable of evaluating the merits and risks of purchasing the Union common stock and to make an informed investment decision with respect thereto.

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

Article 4
REPRESENTATIONS AND WARRANTIES OF UNION
AND THE SHAREHOLDERS

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

4.1 **Organization and Qualification of Union.** Union is a corporation duly incorporated, validly existing and in good standing under the laws of the State of South Dakota with full corporate power and authority to carry on the business in which it is presently engaged and to own, lease and operate its properties and to perform its obligations hereunder. The Shareholders are residents of the State of South Dakota. Union is the owner of 100 percent of the issued and outstanding capital stock of Union TelNet, Inc. and KM Satellite, Inc.

(b) Union TelNet, Inc. and KM Satellite, Inc. is each a corporation duly incorporated, validly existing and in good standing under the laws of the State of South Dakota with full corporate power and authority to carry on the business in which it is presently engaged and to own, lease and operate its properties and to perform its obligations hereunder.

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

4.3 **Regulatory Approvals.** At Closing, Union shall have given all notices to and have obtained from all local, state and federal regulatory authorities any approvals, consents, permits and authorizations required in order to consummate the transactions contemplated in accordance with this Agreement, all as more particularly provided in Section 7.1 hereof.

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

4.5 Capital Stock of Union.

(a) The authorized capital stock of Union consists of [REDACTED] shares of [REDACTED] par value common stock. The Shareholders are the beneficial owners of that number of shares of Union common stock shown on Exhibit A, which constitutes 93.2 percent of Union's issued and outstanding common stock. Directors' qualifying shares of Union Stock which are issued and outstanding are set forth on Schedule 4.5. All of the issued and outstanding shares of the Union common stock are duly and validly issued and outstanding, are fully paid and nonassessable, were issued in compliance with all state and federal laws and are held as described on Exhibit A. The delivery by the Shareholders to Buyer of a certificate or certificates representing the Haugen Shares, as provided in Section 10.5 of this Agreement, will pass good and marketable title to the Haugen Shares to Buyer free and clear of all Liens. There are no outstanding warrants, options, rights, calls or other commitments of any nature granted by Union or relating to the Haugen Shares, and there are no outstanding securities or debt obligations of any kind convertible into shares of capital stock of Union. None of the issued and outstanding shares of capital stock of Union was issued in violation of preemptive rights.

(b) The authorized capital stock of Union TelNET, Inc. consists of [REDACTED] shares of common stock, [REDACTED] per share par value. Union is the owner of 100 percent of Union TelNET, Inc.'s issued and outstanding common stock (the "UTI Stock"). There are 25,000 shares of UTI Stock issued and outstanding. All of the issued and outstanding shares of UTI Stock are duly and validly issued and outstanding, are fully paid and nonassessable, were issued in compliance with all state and federal laws and are held by Union. Purchase by Buyer of the Union Stock pursuant to the terms of this Agreement will pass good and marketable title to the UTI Stock to Buyer, free and clear of all Liens. There are no outstanding warrants, options, rights, calls or other commitments of any nature granted by Union TelNET, Inc. or relating to the UTI Stock, and there are no outstanding securities or debt obligations of any kind convertible into shares of capital stock of Union TelNET, Inc. None of the issued and outstanding shares of capital stock of Union TelNET, Inc. was issued in violation of preemptive rights.

(c) The authorized capital stock of KM Satellite, Inc. consists of [REDACTED] shares of common stock, [REDACTED] per share par value. Union is the beneficial owner of 100 percent of KM Satellite, Inc.'s issued and outstanding common stock (the "KM Stock"). There are 24,000 shares of KM Stock issued and outstanding. All of the issued and outstanding shares of KM Stock are duly and validly issued and outstanding, are fully paid and nonassessable, were issued in compliance with all state and federal laws and are held by Union. The purchase by Buyer of the Union Stock pursuant to the terms of this Agreement will pass good and marketable title to the KM Stock to Buyer, free and clear of all Liens. There are no outstanding warrants, options, rights, calls or other commitments of any nature granted by KM Satellite, Inc. or relating to the KM Stock, and there are no outstanding securities or debt obligations of any kind convertible into shares of capital stock of KM Satellite, Inc. None of the issued and outstanding shares of capital stock of KM Satellite, Inc. was issued in violation of preemptive rights.

4.6 Financial Statements of Union. Union has delivered to Buyer copies of the audited consolidated financial statements of Union for the years ended December 31, 1997 and 1996 (the "Union Financial Statements"), which are true and correct in all material respects and set forth all known liabilities, whether contingent or otherwise, accurately and fully as of the dates thereof. Copies of the Union Financial Statements are contained in Schedule 4.6. The Union Financial Statements were prepared in accordance with generally accepted accounting principles applied on a consistent basis and fairly present the financial condition of Union as of their respective dates and the results of operations of Union for the periods ended December 31, 1997, and December 31, 1996, respectively. Union will supply to Buyer any and all interim financial statements of Union as shall be available, including, without limitation, those for the 12-month period ending December 31, 1998 (the "Interim Financial Statements"). The Interim Financial Statements shall be prepared in accordance with generally accepted accounting principles applied on a consistent basis, subject to customary year-end adjustments, and shall present fairly the financial condition of Union for the period(s) covered thereby.

4.7 Absence of Material Changes. Since December 31, 1997, except as disclosed on Schedule 4.7, and excluding Union's cellular and DBS businesses, Union has operated its business in the ordinary course and there has not been:

(a) Any change in the financial condition, assets, liabilities or operations of Union other than changes in the ordinary course of business, none of which has individually or in the aggregate been materially adverse to the financial condition, properties, assets, liabilities or operations of Union;

(b) Any damage, destruction or loss, whether or not covered by insurance, resulting in a material adverse effect on the properties, operations or financial condition of Union;

(c) Any issuance or sale or agreement to issue or sell any stock, bonds, notes or other corporate securities or long-term debt of Union;

(d) Any granting of options, warrants or other rights calling for the issuance of stock or other corporate securities of Union;

(e) Any merger or consolidation involving Union or any agreement to merge or consolidate with any other corporation; or any acquisition of or agreement to acquire any stock or substantially all of the assets of any business of any person, firm, association, partnership, corporation or other business entity or organization;

(f) Any dispute or any event or condition of any character that materially and adversely affects, or could be reasonably expected to materially and adversely affect, the business or property of Union;

(g) Any material transaction entered into by Union other than in the ordinary course of business or any transaction or series of related transactions in the ordinary course of business (including a capital expenditure) in excess of \$25,000;

(h) Any material change in the accounting methods or practices of Union or any material change in depreciation or amortization or rates theretofore adopted by Union, except for those changes affecting the telephone industry generally;

(i) Any payment of a dividend or payment in the form of a distribution to the Shareholders or any member of their family; or

(j) Any agreement or commitment by Union (or any understanding between Union and any third party) to do or to take any of the actions referred to in paragraphs (a) through (j) of this Section 4.7.

4.8 indebtedness. All of the indebtedness of Union is accurately reflected on the Union Financial Statements, except for: (i) accounts payable incurred in the ordinary course of business since December 31, 1997, and (ii) changes reflecting payments made by Union of its long-term indebtedness, all of which shall be accurately reflected on the Interim Financial Statements. Union is not in default with respect to any material indebtedness or in the performance, observance or fulfillment of any material covenant or condition relating thereto, and no event has occurred and

is continuing that would constitute such a default or event of default with the giving of notice or lapse of time or both.

4.9 Litigation and Claims. Except as disclosed on Schedule 4.9, there are no judgments unsatisfied against Union or against the Haugen Shares or the Shareholders, or consent decrees or injunctions to which Union or the Haugen Shares or the Shareholders are subject, and there is no litigation, claim or proceeding pending, or to the knowledge of the Shareholders or Union, against or relating to Union or against the Haugen Shares or the Shareholders or the properties or businesses of Union, nor do the Shareholders or Union know or have reasonable grounds to know of any basis for any such action or of any governmental investigation relating to the Shareholders or Union or the properties or operations of Union.

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

4.11 Benefit Plans. All employee benefit plans to which Union pays benefits or premiums on behalf of its employees are listed on Schedule 4.11 (the "Plans"). Except as disclosed on Schedule 4.11, Union does not have in effect and has not agreed to institute any bonus, deferred compensation, pension, profit sharing, retirement, stock options, employee stock ownership, group insurance, death benefit, welfare or other fringe benefit plan, trust agreement or arrangement, nor is Union paying or obligated to pay any bonus, deferred compensation, pension, profit sharing, severance, retirement allowance or other fringe benefit to any party whatsoever. All Plans comply in all material respects with all applicable laws, regulations or orders, are fully funded and no circumstances exist with respect to the Plans which could reasonably be expected to have a material adverse effect on the properties or operations of Union.

4.12 No Breach of Agreement. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated by this Agreement will not (i) violate or result in a breach of or default or acceleration under the Articles of Incorporation or Bylaws of Union or any instrument or agreement to which Union or the Shareholders are a party or are bound which would have a material adverse effect on Union's properties or operations; (ii) violate any judgment, order, injunction, decree or award against or binding upon Union or upon the Haugen Shares or other securities, property or business of Union which would have a material adverse

effect on Union's properties or operations; (iii) result in the creation of any material lien, charge or encumbrance upon the properties or assets of Union or the Haugen Shares; or (iv) violate any law or regulation of any jurisdiction relating to Union or the Haugen Shares or other securities, property or business of Union, assuming all required regulatory approvals have been obtained in connection with the transactions contemplated hereby.

4.13 Books and Records. The books, stock record books, minute books and other corporate records of Union are true and correct in all material respects and have been maintained in accordance with ordinary business practices and applicable law. The minute books of Union as made available to Buyer and its representatives contain accurate and complete records of all meetings of and corporate actions or written consents by the shareholders and the board of directors of Union, and all issuances, redemptions, transfers and cancellations of capital stock of each. True and correct copies of the foregoing have been made available to Buyer.

4.14 Subsidiaries and Investments. Except for Union TelNet, Inc. and KM Satellite, Inc. and except as disclosed on Schedule 4.14, Union has no subsidiaries or any investments in any other corporation, association, partnership or other business entity and does not own any shares of capital stock or other securities of any other entity or any general or limited partnership interest.

4.15 Insurance. Attached hereto as Schedule 4.15 is a complete list of all insurance policies currently maintained by Union, and, with respect to each of such policies, a general description of the risks covered and claims insured; copies of all such policies have been furnished or will be made available to Buyer prior to Closing. All such policies are in full force and effect, and consummation of the transactions contemplated herein shall not prevent Union from continuing such policies on substantially similar terms in the future.

4.16 Employees.

(a) **List of Employees.** Schedule 4.16 sets forth a list of all of the Union employees, officers, directors, consultants and independent contractors, together with a description of any contract regarding the terms of service and the rate and basis for total compensation of such persons.

(b) **Accruals and Taxes.** Schedule 4.16 sets forth the policies followed by Union with respect to vacation and sick-leave for employees of Union and/or its subsidiaries. Union has paid or made provision for the payment of all salaries and accrued wages, and any other form of accrued, but unpaid, compensation, and has complied in all material respects with all applicable laws, rules and regulations relating to the employment of labor, including those relating to wages, hours, collective bargaining and the payment and withholding of Taxes, and has withheld and paid to the appropriate

governmental authority, or is holding for payment not yet due to such authority, all amounts required by law or agreement to be withheld from the wages or salaries of its employees.

(c) Employment Agreement. Except as set forth on Schedule 4.16 hereto, Union is not a party to any (i) outstanding employment agreements or contracts with officers or employees that are not terminable at will without penalty, premium or continuing obligation, or that provide for payment of any bonus or commission, (ii) agreement, policy or practice that requires it to pay termination or severance pay to salaried, non-exempt or hourly employees, (iii) collective bargaining agreement or other labor union contract applicable to persons employed by Union, nor do the Shareholders or Union know of any activities or proceedings of any labor union to organize any such employees. Union has furnished to Buyer complete and correct copies of all such agreements, if any ("Employment and Labor Agreements"). Union has not breached or otherwise failed to comply with any provisions of any Employment and Labor Agreement.

(d) Employment Claims. There are no charges with respect to or relating to Union pending before the Equal Employment Opportunity Commission or any state or local agency responsible for the prevention of unlawful employment practices, and neither the Shareholders nor Union has received notice from any federal, state or local agency responsible for the enforcement of labor or employment laws of an intention to conduct an investigation of Union and, to the knowledge of the Shareholders and Union, no such investigation is in progress or threatened.

4.17 Contracts.

(a) Generally. Except as listed in Schedule 4.17, Union is not a party to any written contract relating to:

(i) Bonus, pension, profit sharing, retirement, stock option, employee stock purchase or other plans providing for deferred compensation;

(ii) Collective bargaining agreements or any other contract with any labor union;

(iii) Hospitalization insurance or other welfare benefit plans or practices;

(iv) Loans to its employees, officers, directors or Affiliates;

(v) The borrowing or loaning of money to or from any person or the mortgaging, pledging or otherwise placing a lien on any asset of Union;

(vi) A guarantee of any obligation;

(vii) The lease (whether as lessee or lessor) or operation of any leased property, real or personal, requiring total annual payments in excess of \$25,000;

(viii) Intangible property (including proprietary rights), requiring total annual payments in excess of \$25,000;

(ix) Express warranties given by Union with respect to its services rendered or its products sold or leased;

(x) Registration or preemptive rights with respect to any securities;

(xi) Prohibitions (other than applicable laws or regulations) preventing it from freely engaging in any business;

(xii) The purchase, acquisition, disposition or supply of inventory and other property and assets, requiring total annual payments in excess of \$25,000;

(xiii) Employees, independent contractors, consultants, or other agents;

(xiv) Sales, commissions, advertising or marketing; or

(xv) Any other written contract not of the type covered by any of the foregoing items of this Section 4.17 requiring total annual payments by Union in excess of \$25,000.

(b) Compliance. Union has performed all material obligations required to be performed by it, and is not in receipt of any claim of default or breach or notice of audit, under any contract required to be disclosed on Schedule 4.17. Except as disclosed in Schedule 4.17, to the best of the Shareholders' and Union's knowledge, no event has occurred which with the passage of time or the giving of notice or both would result in a material default, breach or event of non-compliance by the Shareholders or Union under any contract required to be disclosed on Schedule 4.17. Except as disclosed in Schedule 4.17, neither the Shareholders nor Union has any present expectation or intention of not fully performing all of its obligations under any contract required to be disclosed on

Schedule 4.17 and has no knowledge of any breach or anticipated breach by any other party to any contract required to be disclosed on Schedule 4.17.

4.18 True and Complete Copies. The Shareholders have delivered or made available to Buyer true and complete copies of all contracts and documents listed in the Schedules to this Agreement.

4.19 Title and Related Matters.

(a) **Owned Property.** Set forth in Schedule 4.19 is a description of all real property and a list of personal property owned and used by Union in the operation of its business and a list of real and personal property to be excluded from the transactions contemplated by this Agreement. Union has good and merchantable title to all real and personal property used in the operation of its business, free and clear of all liens, except Permitted Liens. For purposes of this Agreement, "Permitted Liens" shall mean (i) statutory liens for Taxes not yet due and payable, (ii) such imperfections or irregularities of title, liens, easements, charges or encumbrances as do not materially interfere with the present use of the properties or assets subject thereto or affected thereby, do not otherwise impair present business operations at such properties, or do not have a material adverse effect on the value of such properties and assets and (iii) liens specifically disclosed in the footnotes to the Union Financial Statements. All properties used in Union's business operations as of December 31, 1997 are reflected in the Union Financial Statements in accordance with and to the extent required by GAAP. Seller has delivered, with respect to any real property owned by the Company, true and complete copies of all deeds and other title documents relating to such real property. Shareholders will cooperate in furnishing materials and/or allowing such surveys and/or inspections as may be necessary in connection with Buyer's financing.

(b) **Leases.** Except as set forth on Schedule 4.19, Union is not a lessee under any lease for personal or real property.

(c) **Liens.** The real property owned by Union and the buildings, structures and improvements included within such real property (collectively, the "Improvements") comply in all material respects with all applicable restrictions, building ordinances and zoning ordinances and all regulations of the applicable health and fire departments. No alteration, repair, improvement or other work which could reasonably be expected to give rise to a lien has been performed with respect to such Improvements within the past one hundred twenty (120) days. Union's owned real property and its use, occupancy and operation as currently used, occupied and operated does not constitute a nonconforming use under any regulation or order affecting such real property, and the continued existence, use, occupancy and operation of such Improvements is not currently dependent on any special permit, exception,

approval or variance. There is no pending or, to the Shareholders' and Union's knowledge, threatened or proposed action or proceeding by any authority to modify the zoning classification of, to condemn or take by the power of eminent domain (or to purchase in lieu thereof), to classify as a landmark, to impose special assessments on or otherwise to take or restrict in any way the right to use, develop or alter all or any part of Union's owned real property.

(d) Utilities. Except as set forth on Schedule 4.19, the real property owned by Union has access, sufficient for the conduct of its business as presently conducted, to public roads and to all utilities, including electricity, sanitary and storm sewer, potable water and other utilities used in the operation of its business as presently conducted.

(e) Condition. Since December 31, 1997, Union has not sold, transferred, leased, distributed or disposed of any of its assets or properties, except for (i) transactions in the ordinary and regular course of business, (ii) transactions otherwise consented to in writing by Buyer, or (iii) transactions disclosed on Schedule 4.19. Union owns, leases or has all rights necessary to use, all properties and assets necessary for the conduct of its business as presently conducted. The assets and properties owned, leased or used by Union in the conduct of its business are in good condition (reasonable wear and tear excepted), are suitable for their respective uses, and comply, in all material respects, with all applicable regulations, and constitute all of the assets necessary for Buyer to conduct the businesses of Union as presently conducted.

4.20 Tax Matters.

(a) Generally. Union has timely filed all federal, state and local tax reports, returns, information returns and any other documents required to be filed by it (collectively, "Tax Returns") and has duly paid all Taxes shown to be due and payable on such Tax Returns and all estimated or advance payments required by law. For purposes of this Agreement, "Tax" or "Taxes" means any income, gross receipt, net proceeds, alternative or add-on minimum, *ad valorem*, value added, estimated turnover, sales, use, property, personal property (tangible and intangible), stamp, leasing, lease, user, excise, duty, franchise, transfer, license, withholding, payroll, employment, foreign, fuel, excess profits, occupational and interest equalization, windfall profits, service, severance and other taxes, charges, fees, levies or other assessments of any kind whatsoever (including interest, penalties, fines and additions thereto) imposed by any taxing authority, federal, state or local. All Taxes for periods ending on or prior to the Closing Date have been fully paid or reserved against on the Union Financial Statements and on the Closing Balance Sheet and on the books and records of Union in accordance with GAAP. All Taxes which are required to be withheld or collected by Union have been duly withheld or

collected and, to the extent required, have been paid to the proper federal, state or local authorities or properly segregated or deposited as required by applicable regulations. There are no liens for Taxes upon any property or assets of Union, except for liens for Taxes not yet due and payable. Except as set forth on Schedule 4.20, Union has not requested an extension of time within which to file any Tax Return and has not waived the statute of limitations on the right of the IRS or any other taxing authority to assess or collect additional Taxes or to contest the information reported on any Tax Return. Any and all tax refunds owed to Union, including those set forth on the Union Financial Statements, have been properly received by Union and/or credited toward the payment of future Tax obligations.

(b) **Good Faith.** All Tax Returns described in Section 4.20(a) have been prepared in good faith and to the best of the Shareholders' and Union's knowledge are correct and complete in all material respects, and to the best of the Shareholders' and Union's knowledge, there is no basis for assessment of any addition to the Taxes shown thereon.

(c) **Claims.** There are no proceedings, examination or, to the best of the Shareholders' or Union's knowledge, claims currently pending by any taxing authority in connection with any Tax Returns described in Section 4.20(a) nor with respect to the periods to which such Tax Returns relate, and there are no unresolved issues or unpaid deficiencies or outstanding or proposed assessments relating to any such proceedings, examinations, claims or Tax Returns. None of the Tax Returns described in Section 4.20(a) currently is under audit or has been audited in the past five years.

(d) **True and Complete Copies.** The Shareholders and Union have delivered to Buyer true and complete copies of all Tax Returns filed by Union with respect to its 1994, 1995, 1996 and 1997 fiscal years.

4.21 Intellectual Property. Union does not own or has not applied for any registered patents, copyrights, trademarks or service marks. If necessary, Union holds valid licenses to use all proprietary rights used in the operation of its business as presently conducted.

4.22 Environmental Matters. Union has obtained all environmental permits required in connection with the operation of its business. Union is and has been in compliance in all material respects with (i) the terms and conditions of all such environmental permits and (ii) all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables of any applicable environmental law or regulation, order, code, plan, decree, judgment, injunction or demand letter issued, entered, promulgated or approved thereunder. Union currently possesses and maintains such environmental permits in its respective name, and no amendments or modifications to such environmental permits or filings with any

permitting authority are required to permit the acquisition of the shares of Union common stock as contemplated hereby. In addition, except as set forth in Schedule 4.22:

(a) Generally. No notice, notification, demand, request for information, citation, summons or order has been issued, no complaint has been filed, no penalty has been assessed and no investigation or review is pending or, to the Shareholders' and Union's knowledge, threatened by any authority or other entity with respect to Union relating to any environmental permit, license or authorization required in connection with the conduct of business of Union or with respect to the generation, treatment, storage, recycling, transportation, disposal or release of any substance regulated under environmental laws ("Hazardous Materials").

(b) Property. To best of the Shareholders' and Union's knowledge, in connection with the real property used, owned or leased by Union, except as set forth in Schedule 4.22:

(i) Union has not handled any Hazardous Material on any property now or previously owned or leased by Union.

(ii) No PCB or asbestos is or has been present at any property now or previously owned or leased by Union.

(iii) There are no underground storage tanks for Hazardous Materials, active or abandoned, at any property now or previously owned or leased by Union.

(iv) There has been no release of Hazardous Materials at, or under any property now or previously owned or leased by Union.

(c) Transportation. Union has not (i) transported or arranged for the transportation of any Hazardous Material to any location which is listed on the National Priorities List under the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended ("CERCLA"), listed for possible inclusion on the National Priorities List by the Environmental Protection Agency in the Comprehensive Environmental Response and Liability Information System ("CERCLIS") or on any similar state list or which is the subject of federal, state or local enforcement actions or other investigations or (ii) stored, treated, transported or disposed, or arranged for storage, treatment, transport or disposal of any Hazardous Materials, other than in compliance with environmental law.

(d) Notification of Release. No oral or written notification of a "Release" (as defined in Section 9601(22) of Title 42 of the United States

Code) of a Hazardous Material has been filed by or on behalf of Union, and no property now or previously owned or leased by Union is listed or proposed for listing on the National Priorities List under CERCLA, on CERCLIS or on any similar state list of sites requiring investigation or clean-up.

(e) **Liens.** There are no Liens arising under or pursuant to any environmental laws on any of the real property owned or leased by Union, and no government actions have been taken or are threatened which could subject any of such properties to such Liens. Union is not required to place any notice or restriction relating to the presence of Hazardous Materials at any property owned by it in any deed to such property.

(f) **Site Assessments.** Except as set forth in Schedule 4.22, there have been no Phase I or Phase II environmental site assessments conducted by or which are in the possession of the Shareholders or Union in relation to any property or facility now or previously owned or leased by Union.

4.23 Dealings with Affiliates. Schedule 4.23 sets forth a complete and accurate list of all written contracts between Union and any one or more of its Affiliates. For purposes of this Agreement, "Affiliate" shall mean, with regard to any person or entity, any person or entity which, directly or indirectly, controls, is controlled by, or is under common control with, such person or entity and, with respect to any individual, the spouse, ancestors and descendants (lineal or by marriage) thereof. "Control" (including, with correlative meaning, the terms "controlled by" and "under common control with"), as used with respect to any person or entity, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person or entity, whether through the ownership of voting securities, by contract or otherwise. Except as set forth in Schedule 4.23, since December 31, 1997, Union has not made any payments, loaned any funds or property or made any credit arrangement with any Affiliate or employee except for the payment of employee salaries in the ordinary course of business.

4.24 Commissions. There are and will be no claims for brokerage commissions, finder's fees, fees for fairness opinions or financial advisory services or similar compensation in connection with the transactions contemplated by this Agreement based on any arrangement or agreement made by or on behalf of the Shareholders or Union or any of their Affiliates.

4.25 Permits and Reports. Schedule 4.25 hereto sets forth a list of all permits, licenses, registrations, certificates, orders, approvals or other authorizations from any authority or other person including, without limitation, the FCC and the SDPUC ("Permits") issued to or held by Union in connection with its operations. Such Permits are the only Permits that are required for Union to conduct its business as presently conducted. Each such Permit is in full force and effect, and neither the

Shareholders or Union has received notice that any suspension, cancellation or modification of the terms of any such Permit is threatened. Union is in full compliance in all material respects with the terms of each such Permit, and the Shareholders and Union are not aware of any reason not set forth in said Permit why any such Permit would not be renewed, upon substantially the same terms as currently exist, upon expiration of such Permit. Except as set forth on Schedule 4.25, to the best of Shareholders' and Union's knowledge, (i) all returns, reports, applications, statements and other documents required to be filed by Union with the FCC, the SDPUC and any other regulatory or governmental authority or municipality (including taxing authorities) with respect to the business on or before the date hereof have been duly filed or properly extended as permitted by law and are true and complete in all material respects, (ii) all reporting requirements of the FCC, the SDPUC and other regulatory or governmental authorities or municipalities (including taxing authorities) having jurisdiction thereof have been complied with in all material respects, and (iii) no other person or entity is currently operating or providing telephone service within the exchange boundaries served as of the date hereof by Union, and, to the best of the Shareholders' and Union's knowledge, no other person or entity is anticipating or contemplating doing so.

4.26 Absence of Undisclosed Liabilities. Union does not have any liability of any nature whatsoever (whether known or unknown, due or to become due, accrued, absolute, contingent or otherwise), including, without limitation, any unfunded obligation under employee benefit plans or compensation arrangements or liabilities for Taxes or liabilities for under-reporting, under-billing or under-collection of revenues or underpayment of revenues to a third party, except for (i) liabilities stated or reserved against in full in the Union Financial Statements, (ii) current liabilities incurred in the ordinary course of business and consistent with past practice after the date of the Union Financial Statements which, individually and in the aggregate, do not have, and cannot reasonably be expected to have, a material adverse effect, and which shall be fully set forth in the Interim Financial Statements with respect to the periods covered thereby, and (iii) liabilities disclosed on Schedule 4.26 hereto.

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

Article 5

COVENANTS AND AGREEMENTS OF THE SHAREHOLDERS AND UNION

Union and the Shareholders, jointly and severally, covenant and agree with Buyer as follows, that from the date of this Agreement through the Closing Date, except as disclosed on Schedule 5.0 hereto:

5.1 Changes in Articles of Incorporation or Bylaws. There shall be no change in the Articles of Incorporation or Bylaws of Union or in the authorized or issued capital stock of Union, and Union shall maintain its corporate existence and powers and shall use its reasonable best efforts to maintain the goodwill and employees of its business.

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

5.3 Conduct of Business. Except with the prior written approval of Buyer or as shown on Schedule 5.0 hereto:

(a) The business of Union shall be conducted in the same manner as presently being conducted and Union shall refrain from entering into any transaction or contract other than in the ordinary course of business and shall not make any change in its methods of management, marketing, accounting or operation, except to the extent required by federal or state regulatory authorities (which changes shall be specifically described on Schedule 5.0 hereto), excluding actions taken with respect to the cellular and DBS businesses as contemplated in this Agreement;

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

(c) No increase shall be made in the compensation or compensation plans (including bonuses, commissions, severance pay and fringe benefits) payable or to become payable to any officer, director or employee of Union, except for those routine salary increases granted to employees in the ordinary course of business and consistent with the respective prior practices of Union, and provided with respect to this Section 5.3(c), the approval of Buyer shall not be unreasonably withheld;

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

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

(f) Union shall not sell any asset or make any commitment relating to its assets other than in the normal and ordinary course of business, and in an amount not exceeding \$25,000, excluding actions taken with respect to the cellular and DBS businesses as contemplated in this Agreement.

5.4 Access to Properties. At all times prior to the Closing Date, Union shall allow Buyer's employees, attorneys, accountants, agents and other authorized and designated representatives full access during reasonable business hours and after reasonable notice to Union's properties, books and records, including, without limitation, deeds, title commitments, leases, insurance policies, minute books, share certificate books, share registers, accounts, financial records and all other data that are reasonably required for Buyer to make such investigation as it may desire of the properties and financial condition and businesses of Union. In order to maintain confidentiality, Buyer may have access to Union's offices and properties only upon the prior approval of William G. Haugen, Jr., Vice President of Union.

5.5 Directors, Officers, Operations. Union shall deliver to Buyer prior to Closing a list showing:

(a) The names of the Union directors and officers, registered agent and registered office;

(b) The banks and financial institutions in which Union has an account or safe deposit box and the names of all persons authorized to draw thereon or to have access thereto; and

(c) The names of all persons holding powers of attorney from Union with copies thereof attached thereto.

5.6 Privileges. As of the Closing Date, Union and the Shareholders shall terminate any "calling card" or other special privileges, benefits or rights provided by Union to the Shareholders.

5.7 Residential Telephone Service/Internet Service.

(a) From and after the Closing Date, Buyer agrees to provide to the Shareholders two fully featured lines (including voice messaging) for residential local exchange telephone service without charge to each of the Shareholders for so long as such person maintains a residence within Union's existing exchange boundaries.

(b) From and after the Closing Date, Buyer agrees to provide internet service without charge to each of the Shareholders for so long as such person maintains a residence within Union's exchange boundaries, and for so long as Union or Union Talket, Inc. is a provider of internet services within Union's exchange boundaries.

5.8 **Transfer of Cellular Interest and DBS Interest.** Notwithstanding anything to the contrary herein, the parties acknowledge and agree that prior to the execution of this Agreement Union has sold and transferred all of the Cellular Interest and all of the DBS Interest, in full compliance with all applicable contracts, agreements, regulations, statutes and ordinances applicable to the ownership, transfer or other disposition thereof, and shall provide Buyer with written evidence thereof to the satisfaction of Buyer and its counsel. The Shareholders shall indemnify Buyer with respect to any and all liabilities arising in connection with the ownership or transfer of the Cellular Interest or the ownership or transfer of the DBS Interest, as more particularly provided in Section 6.1 (e) hereof. The Shareholders have obtained all necessary consents, approvals, permits, authorizations and waivers pertaining to the transfer of the Cellular Interest and the DBS Interest, including, without way of limitation, all necessary approvals of the South Dakota Public Utilities Commission, Federal Communications Commission, and the Federal Trade Commission, if any, prior to effectuating such transfer. Provided that the Shareholders comply with the provisions of this Section, the transfer of the Cellular Interest and the DBS Interest shall not be deemed a breach of any representation or warranty contained in this Agreement.

Article 6 INDEMNIFICATION OBLIGATIONS

6.1 **Matters Covered by Indemnification.** The Shareholders, jointly and severally, hereby covenant and agree that they shall defend and indemnify Buyer and hold harmless Buyer at all times after the Closing Date from and against and in respect to any and all losses, liabilities, claims, costs (including, without limitation, court costs and reasonable attorneys' fees), damages, expenses or deficiencies arising out of or due to:

(a) Any breach of any representation, warranty or any agreement, covenant or obligation on the part of Union or the Shareholders made in this Agreement;

(b) All Taxes of the Shareholders or of Union attributable to any period which ends prior to or on the Closing Date to the extent such liability was not fully accrued for in the Union Financial Statements or Closing Balance Sheet;

(c) Any undisclosed liability of Union;

(d) Any actions, suits, proceedings, costs, expenses and legal fees incident to any of the foregoing items listed under this Section 6.1.

(e) Any and all claims in any way relating to or arising out of the ownership or the transfer of the Cellular Interest or the ownership or transfer of the DBS Interest, or the business or operations of the Sioux Falls Cellular Limited Partnership, Eastern South Dakota Cellular, Inc., Dakota Systems, Inc., or the DBS business, whether arising or made before or after the Closing Date, specifically including, without way of limitation, claims arising in connection with the transfer of the Cellular Interest or the transfer of the DBS Interest; provided, however, that compliance by Union with the DBS Noncompete after Closing is expressly excluded. Notwithstanding anything in this Agreement or otherwise to the contrary, the parties specifically agree that the indemnification obligation of the Shareholders with respect to any and all indemnifiable claims or events under this Section 6.1(e) shall not be subject to, or included within, the "Minimum Amount" or the "Maximum Amount" limitations set forth below, and shall survive the "Indemnification Period" set forth in Section 6.2 below. It is the intent and agreement of the parties that the Shareholders shall fully indemnify Buyer and Union with respect to any and all damages, expenses, fees, costs and claims pertaining to or arising from the Cellular Interest, the DBS Interest or the transfer thereof, and that such indemnification obligation survive and continue until the expiration of all applicable statutes of limitations relating thereto.

Liability shall arise pursuant to the foregoing indemnity obligations only if the losses, liabilities, claims, costs, damages, expenses or deficiencies arising therefrom exceed in the aggregate \$25,000 (the "Minimum Amount"), and only with respect to such amount in excess thereof. For purposes of determining the Minimum Amount, such amount shall include the losses, liabilities, claims, costs, damages, expenses or deficiencies arising under the agreements of Shareholders with Buyer to sell the Shareholders' shares of Armour Independent Telephone Co. and the Shareholders' shares of WMW Cable TV Co., as well as this transaction. If such claims exceed the Minimum Amount, the Shareholders shall indemnify Buyer for the excess amount of the claims pursuant to this section; provided, however, that the Shareholders' total obligations to indemnify Buyer pursuant to this Article 6 shall not exceed the lesser of: (i) \$600,000, or (ii) \$600,000 minus any indemnification payments (including payment by set off) made by Shareholders to Buyer pursuant to Shareholders' agreements with Buyer to sell the Shareholders' shares of Armour Independent Telephone Co. and the Shareholders' shares of WMW Cable TV Co. (the "Maximum Amount").

6.2 Procedure for Indemnification. Buyer shall assert any claim or claims for indemnification under the provisions of Section 6.1 above by giving written notice of such claim or claims to the Shareholders' Representative within the later of (i) twelve (12) months after the Closing Date, or (ii) four (4) months after the close of Buyer's first audit period following the Closing Date (the "Indemnification Period"). Each such notice shall set forth in reasonable detail the factual basis giving rise to the claim or

claims and the amount of the damages and expenses incurred by Buyer as a result of such claim or claims. Such notice shall be given within a reasonable time after receipt of actual notice of such claim or the incurring of such damages and expenses by Buyer. The Shareholders agree that they shall promptly reimburse and pay Buyer for such damages and expenses to which Buyer is entitled under this Article 6. If any claim for indemnification hereunder is based upon an action or claim filed or made against Buyer or Union by a third party, then the Shareholders shall have the right to negotiate a settlement or compromise of any such action or claim or to defend any such action or claim at the sole cost and expense of, and with counsel selected by, the Shareholders; provided, however, that neither the Shareholders nor Union shall, expect with the prior written consent of Buyer, consent to the entry of any judgment or enter into any settlement or compromise which does not include as an unconditional term thereof the giving by the claimant or plaintiff to Buyer of a release from all liability with respect to the subject claim. With respect to all such third party claims, Buyer shall have the right to take any actions or steps it deems reasonable to avoid the occurrence of any prejudice to the rights of Buyer. Buyer shall have the right to assume the defense of any such action with counsel of Buyer's choosing, subject to Shareholders' consent, which shall not be unreasonably withheld, at the Shareholders' sole cost, in the event such action (i) includes a demand for injunctive or equitable relief in respect of Buyer or Union, or (ii) is for an alleged amount of more than Fifty Thousand Dollars (\$50,000). With respect to all other claims by third parties which may result in indemnification by the Shareholders hereunder, Buyer may participate with counsel of its choosing at its cost.

6.3 Set Off Under Noncompetition Agreements. From and after the date of this Agreement through the longer of (a) the Indemnification Period or (b) so long as any claim made during the Indemnification Period is still outstanding and unresolved as set forth in this Article 6, Buyer shall have the right to set off against any payments due from Buyer to the Shareholders under their respective Noncompetition Agreements any amount for which Buyer is entitled to indemnification by Shareholders under this Article 6. Any set off against such payments shall be divided equally among payments to each of the Shareholders.

Article 7 REGULATORY APPROVALS

7.1 Regulatory Approvals. Buyer shall manage, at its expense, the process of obtaining and shall use its best efforts to obtain in an expeditious manner, with the Shareholders' assistance, all governmental consents and approvals required to carry out the transactions contemplated by this Agreement, including, without limitation, any necessary consents and approvals from the Federal Communications Commission, the South Dakota Public Utilities Commission, the Federal Trade Commission under the Hart-Scott-Rodino Antitrust Improvement Act ("HSR Act"), and any other local, state or federal agency or municipality. Buyer shall use its best efforts to prepare and

file all necessary regulatory notices, applications, requests and petitions within thirty (30) days after the date of this Agreement, and shall pay all filing fees required by the HSR Act. Union and the Shareholders agree to cooperate with Buyer in obtaining such consents and approvals.

Article 8 OTHER OBLIGATIONS

8.1 Tax Return Preparation and Audit. The parties acknowledge that Union will be required to prepare and file a tax return for a shortened year ending as of the Closing Date. Subject to the Shareholders' obligation to indemnify Buyer pursuant to Section 6.1(b) hereof, Buyer shall be responsible for accurately and timely preparing and filing such return and for the timely payment of all taxes stated therein as due and provided that Buyer shall, upon the written request of the Shareholders' Representative, permit Union's accountant to review and participate in preparing such tax returns. Buyer shall not make, or fail to make, any elections in connection with the preparation or filing of such tax returns that would have a material adverse effect on Union's tax liability on such return. The parties agree that the tax return shall be prepared on the same basis as tax returns for prior years without regard to the fact that Union will be a member of a consolidated group for tax purposes. The Shareholders agree to cooperate with the Buyer in the preparation of such tax return.

8.2 No Shopping. Union and the Shareholders agree that, subject to compliance with any fiduciary duty, and excluding the actions taken with respect to the cellular and DBS businesses as contemplated in this Agreement, neither they nor any of their agents or Affiliates will, during the period beginning on the date hereof and ending on the first to occur of (a) the Closing or (b) the termination of this Agreement, either (i) sell or arrange for the sale of Union common stock; (ii) negotiate, solicit, encourage or authorize any person to solicit from any third party any proposals relating to the disposition of the business or assets of Union or the acquisition of Union common stock; or (iii) make any information concerning Union or Union common stock available to any person for the purpose of affecting or causing a disposition of Union assets or the Union common stock.

Article 9 CONDITIONS PRECEDENT TO OBLIGATIONS OF UNION AND THE SHAREHOLDERS

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

9.1 Representations and Warranties. Each of the representations and warranties of Buyer contained in this Agreement shall be accurate in all material respects as of the date hereof and as of the Closing Date, and Buyer shall have performed all covenants and agreements required to be performed by it and shall not

be in default under any of the provisions of this Agreement at or prior to the Closing Date.

9.2 Certificate. A certificate, dated the Closing Date, signed by an officer of Buyer covering the provisions of Section 9.1 hereof shall have been provided.

9.3 Certified Copy of Resolutions. Buyer shall have delivered a copy, certified by the duly qualified and acting secretary or assistant secretary of Buyer, of resolutions adopted by the board of directors of Buyer approving this Agreement and the consummation of the transactions contemplated by this Agreement.

9.4 Consents and Approvals. All consents, approvals, authorizations, permits, certificates and orders with respect to the transactions contemplated by this Agreement required from any person, entity, court or governmental agency or instrumentality (federal, state or local), including without way of limitation, all regulatory approvals contemplated by Section 7.1 hereof, shall have been obtained and shall be valid and in full force and effect, and no conditions, requirements or qualifications shall have been imposed by such consents, approvals, authorizations, permits, certificates or orders that, in the reasonable opinion of Union and the Shareholders, materially adversely impact the financial condition of Union.

9.5 Payment. Buyer shall pay the Adjusted Purchase Price to all Selling Shareholders in accordance with Article 2.

9.6 No Litigation. No claim, suit, action, or other proceeding shall be pending before any court or governmental body to restrain or prohibit the consummation of the transactions hereunder.

9.7 Deliveries by Buyer. On or before the Closing Date, Buyer shall have executed and delivered to Union and the Shareholders the following:

(a) Transition Services Agreements for each Shareholder in substantially the form attached hereto as Exhibit C; and

(b) Noncompetition Agreements for each Shareholder in substantially the form attached hereto as Exhibit D.

9.8 Related Transactions. Union and the Shareholders shall have evidence reasonably satisfactory to them that on or before the Closing Date the transactions contemplated in the following agreements have been consummated or are being consummated concurrently with closing under this Agreement: (i) Stock Purchase Agreement, dated DECEMBER 24, 1998, among Armour Independent Telephone Co., the Shareholders and MJD Services Corp., as buyer; and (ii) Stock Purchase Agreement, dated DECEMBER 24, 1998, among WMW Cable TV Co., the

Shareholders and MJD Services Corp., as buyer; and (iii) the sale or transfer of Union's Cellular Interest and DBS Interest, as contemplated in this Agreement.

9.9 **Opinion of Counsel.** Buyer shall deliver at Closing an opinion of counsel to Buyer in substantially the form attached hereto as Exhibit E.

Article 10

CONDITIONS PRECEDENT TO OBLIGATIONS OF BUYER

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

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

10.2 **Certificate.** Buyer shall have received a certificate, dated the Closing Date, signed by Union and the Shareholders covering the provisions of Section 10.1 hereof.

10.3 **Certified Copy of Resolutions.** Union shall have delivered to Buyer a copy, certified by the duly qualified and acting secretary or assistant secretary of Union of resolutions adopted by the board of directors and shareholders of Union approving this Agreement and the consummation of the transactions contemplated by this Agreement.

10.4 **Consents and Approvals.** All consents, approvals, authorizations, permits, certificates and orders with respect to the transactions contemplated by this Agreement required from any person, entity, court or governmental agency or instrumentality (federal, state or local), including, without way of limitation, all regulatory approvals contemplated by Section 7.1 hereof, shall have been obtained and shall be valid and in full force and effect, and no conditions, requirements or qualifications shall have been imposed by such consents, approvals, authorizations, permits, certificates or orders that, in the reasonable opinion of Buyer, materially adversely impact the financial condition of Union; provided that Buyer agrees that the imposition of conditions of sale by the South Dakota Public Utilities Commission which are similar to those imposed in the purchase of Kadoka Telephone Co. by an

affiliate of Buyer (Notice of Entry of Order TC96-167) shall not be deemed to materially adversely impact the financial condition of Union.

10.5 Surrender of Certificates. The Selling Shareholders shall have surrendered to Buyer the certificates representing all of the issued and outstanding shares of Union common stock, and such certificates shall be duly endorsed in blank or shall have duly executed blank stock powers attached thereto. Additionally, Union shall have caused to be delivered to Buyer the certificates representing all of the issued and outstanding shares of capital stock of Union TelNET, Inc. and KM Satellite, Inc.

10.6 Resignations. Buyer shall have received from each director and officer of Union a written resignation from all Union offices and directorships held, respectively, effective as of the Closing Date, and shall have received from each of the Shareholders their resignation as an employee of Union.

10.7 Deliveries by Shareholders. On or before the Closing Date, Shareholders shall have executed and delivered to Buyer the following:

(a) Transition Services Agreements for each Shareholder in substantially the form attached hereto as Exhibit C; and

(b) Noncompetition Agreements for each Shareholder in substantially the form attached hereto as Exhibit D.

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

10.9 Delivery of Corporate Records. At Closing the Shareholders shall deliver to Buyer the Union minute books and stock registers.

10.10 No Litigation. No claim, suit, action or other proceeding shall be pending before any court or governmental body to restrain or prohibit the consummation of the transactions contemplated hereunder.

10.11 Opinion of Counsel. The Shareholders shall deliver at Closing an opinion of counsel to the Shareholders and Union in substantially the form attached hereto as Exhibit F.

10.12 Related Transactions. The Buyer shall have evidence reasonably satisfactory to it that on or before the Closing Date the transactions contemplated in the following agreements have been consummated or are being consummated concurrently with Closing under this Agreement: (i) Stock Purchase Agreement, dated

DECEMBER 24, 1998, among Armour Independent Telephone Co., the Shareholders and MJD Services Corp., as buyer; and (ii) Stock Purchase Agreement, dated DECEMBER 24, 1998, among WMW Cable TV Co., the Shareholders and MJD Services Corp., as buyer, and (iii) the sale or transfer of Union's Cellular Interest and DBS Interest, as contemplated in this Agreement.

Article 11 TERMINATION

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

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

(b) By the Shareholders if Buyer breaches its obligations under Article 7 of this Agreement and the Shareholders shall have cooperated fully with Buyer in preparation of all required applications for approval; or

(c) By the Shareholders in the event that any of the conditions set forth in Article 9 of this Agreement shall not have been satisfied or waived and Closing shall not have occurred on or before August 6, 1999, or such later date as shall be agreed upon pursuant to Section 1.2 of this Agreement; or

(d) By Buyer in the event that any of the conditions set forth in Article 10 of this Agreement shall not have been satisfied or waived and Closing shall not have occurred on or before August 6, 1999, or such later date as shall be agreed upon pursuant to Section 1.2 of this Agreement.

11.2 Notice of Termination. Notice of termination of this Agreement as provided for in this Article 11 shall be given by the party or parties so terminating to the other parties hereto in accordance with the provisions of Section 12.4 of this Agreement.

Article 12 MISCELLANEOUS

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

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

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

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

If to Buyer:
MJD Services Corp.
521 East Morehead Street, Suite 250
Charlotte, North Carolina 28202
Fax #: (704) 344-8121
Attention: Eugene Johnson
Executive Vice President

If to Union or Shareholders:
c/o David Knudson, Esq.
Davenport Law Firm
P.O. Box 1030
513 So. Main Avenue
Sioux Falls, South Dakota 57104
Fax #: (605) 335-3639

with a copy to:
Underwood, Kinsey, Warren & Tucker, P.A.
201 South College Street
2020 Charlotte Plaza Building
Charlotte, North Carolina 28244
Fax #: (704) 377-9630
Attention: Shirley J. Linn, Esq.

with a copy to:
Dennis J. Fogland Esq.
Baird, Holm Law Office
1500 Woodmen Tower
Omaha, Nebraska 68102
Fax #: (402) 344-0588

or at such other address as may be designated by notice pursuant to this Section 12.4 from such party to the other party. Notice sent by overnight courier shall be deemed delivered on the business day immediately following deposit with such courier. Notice sent by facsimile transmission shall be deemed delivered on the day of transmission if a business day or if not a business day the first business day following the day of transmission. Notice sent by certified or registered mail shall be deemed delivered on the fifth day after deposit with the United States postal service.

12.5 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of South Dakota.

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

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

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

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

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

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

12.12 Confidential Information.

(a) The parties hereby acknowledge and agree that on and after the date hereof, and provided that the party seeking to enforce the provisions of this Section 12.12 is not then in default of its obligations hereunder, each party shall hold in the strictest confidence, and shall not use or disclose to any person, firm or corporation (other than on a need-to-know basis), without the written authorization of the other party, any Confidential Information in its possession pertaining to the other party, except (i) as may be ordered by a court of competent jurisdiction of a claim involving the subject matter of such Confidential Information, (ii) as otherwise required by applicable law or regulation, or (iii) as otherwise provided under Section 12.14 hereof. As used in this Agreement, "Confidential Information" means the terms and conditions

contained in this Agreement, including the consideration payable hereunder, and all information, documents and materials not generally available to the public which have been provided by one party to the other in connection with the transactions contemplated hereby or which otherwise relate to, this Agreement. Union and Buyer each acknowledge and agree that any breach of this section would cause the other party irreparable harm. Accordingly, the non-breaching party may seek and obtain injunctive relief against the breach or threatened breach of this Section 12.12, in addition to any other remedies to which such party may be entitled at law or in equity. If the transactions contemplated by this Agreement shall not be consummated, such confidence shall be maintained and such information shall not be used in competition with Union or the Buyer.

(b) Notwithstanding anything in this Agreement to the contrary, the parties shall not be under any obligation to maintain in confidence any portion of the information it has received in connection with the transactions contemplated hereby which (i) is now, or which hereafter, through no act or failure to act on the part of either party, becomes generally known or available to the public, (ii) is known by the recipient party at the time of the disclosure of such information, (iii) is furnished to the other without restriction on disclosure, or (iv) is hereafter furnished to a party by a third party, as a matter of right and without restriction of disclosure.

(c) Notwithstanding the foregoing, any party hereto may disclose the nature and terms of this Agreement to any third party without the prior written consent of any other party or parties hereto (i) as required to obtain the consents, waivers and authorizations referenced in Sections 3.3, 4.3, 4.12, 7.1, 9.4 and 10.4 hereof, (ii) in connection with the Buyer's financing of the transactions contemplated hereby, (iii) as required by applicable law, and (iv) in connection with any securities law filing.

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

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

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

MJD SERVICES CORP.,
a Delaware corporation

By: Michael J. Stur

Title: VICE PRESIDENT

UNION TELEPHONE COMPANY OF HARTFORD,
a South Dakota corporation

By: William G. Haugen

Title: President

William G. Haugen
WILLIAM G. HAUGEN, SR.

Marilyn M. Haugen
MARILYN M. HAUGEN

William G. Haugen, Jr.
WILLIAM G. HAUGEN, JR.

UNION TELNET, INC.
a South Dakota corporation

By: William G. Haugen, Jr.

Title: President

KM SATELLITE, INC.

By: 

Title: President

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EXHIBIT A

UNION TELEPHONE COMPANY

<u>SHAREHOLDER</u>	<u>NUMBER OF SHARES OWNED</u>	<u>PERCENTAGE OF OUTSTANDING COMMON STOCK</u>
William G. Haugen, Sr.	44	25.3%
Marilyn M. Haugen	45	25.9%
William G. Haugen, Jr.	73*	42.0%
Eugene Benson, Hartford, South Dakota	1	0.6%
Arvid Jordan, Hartford, South Dakota	1	0.6%
Ernest Kroeger, Hartford, South Dakota	1	0.6%
Minnehaha Coop Oil, Sioux Falls, South Dakota	1	0.6%
Estate of George Mueller, Humboldt, South Dakota	1	0.6%
Arleen B. Oakleaf, Hartford, South Dakota	1	0.6%
Hazel Ollig, Phoenix, Arizona	1	0.6%
Leo Scherer, Harford, South Dakota	1	0.6%
Estate of Charles Perrett, E oux Falls, South Dakota	1	0.6%
David Lee Theel, Sioux Falls, South Dakota	1	0.6%

Trinity Lutheran Church, Hartford, South Dakota	1	0.6%
Zion Evangelical Lutheran Church, Hartford, South Dakota	1	0.6%
TOTAL	174	100%

*Includes one share each held by Mildred Armentrout and JoAnn Harden as directors' qualifying shares.

EXHIBIT B

EXCLUDED ASSETS

- (1) **Vehicles:** 1996 Dodge Dakota SLT (William G. Haugen, Sr. personal vehicle).
Early 1950's Ford tractor
- (2) **Office Equipment:**
 - (a) Apple Macintosh Power Book 160 PC (William G. Haugen, Jr.)
 - (b) Apple StyleWriter II Printer (William G. Haugen, Jr.)
 - (c) Dell Dimension XPS D300 PC (William G. Haugen, Jr.)
 - (d) Cannon FaxPhone B640 (William G. Haugen, Jr.)
- (3) **Office Furniture:**
 - (a) Desk, chair, two guest chairs (William G. Haugen, Sr.)
 - (b) Desk, chair (Marilyn M. Haugen)
 - (c) Desk, Credenza, two drawer file set, chair, two guest chairs (William G. Haugen, Jr.)
 - (d) Seven foot folding table (William G. Haugen, Jr.)
- (4) **Storage**
 - (a) Three drawer file (William G. Haugen, Sr.)
 - (b) Four drawer file (Marilyn M. Haugen)
 - (c) Four drawer file (William G. Haugen, Jr.)
 - (d) Two drawer fire resistant file (William G. Haugen, Jr.)
 - (e) Two drawer metal cabinet (William G. Haugen, Jr.)
- (5) **Miscellaneous:**
 - (a) Various pictures and plaques located at the Company office
- (6) **All assets related to the Company's cellular telephone and direct broadcast satellite businesses (sold to third parties).**

298246.02

EXHIBIT C

TRANSITION SERVICES AGREEMENT

THIS TRANSITION SERVICES AGREEMENT (the "Agreement") is made effective as of the day of , 1999 by and among WILLIAM G. HAUGEN, SR., a resident of South Dakota ("Consultant"), UNION TELEPHONE COMPANY OF HARTFORD, a South Dakota corporation (the "Company") and MJD SERVICES CORP., a Delaware corporation ("MJD").

W I T N E S S E T H:

WHEREAS, the Company is a South Dakota corporation engaged in, among other activities, the ownership and operation of a telephone company that provides wire line telecommunications services in the exchange of Hartford, South Dakota (the "Business"); and

WHEREAS, MJD is as of even date herewith acquiring all of the issued and outstanding common stock of the Company, pursuant to the terms of that certain Stock Purchase Agreement between and among MJD, the Company, Union Telnet, Inc., IM Satellite, Inc., William G. Haugen, Sr., Marilyn M. Haugen and William G. Haugen, Jr. (the "Stock Purchase Agreement"); and

WHEREAS, Consultant possesses valuable knowledge and experience regarding the business affairs of the Company; and

WHEREAS, the Company desires to obtain the services of Consultant for its business in order to insure an orderly transition of control of the Business, and Consultant is willing to provide such services;

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

1. Consultation Services. The Company hereby engages Consultant to provide Business consulting services, and Consultant hereby agrees to provide such services to the Company. The specific services to be rendered by Consultant shall be mutually agreed upon from time to time between Consultant and appropriate officers and/or the Board of Directors of the Company. Consultant agrees to devote such time and energy as may be necessary to perform the duties and responsibilities requested by the Company.
2. Term. The term of this Agreement shall be for a period of six (6) months commencing as of the date hereof ("Term").
3. Compensation. For all services rendered by Consultant under this Agreement, the Company shall pay Consultant upon

execution of this Agreement the amount of [REDACTED]
[REDACTED] (the "Consulting Payment").

4. Relationship of the Parties.

(a) It is expressly agreed and understood that Consultant shall act as an independent contractor and not as an employee or agent of the Company. The Company has no responsibility for Consultant as an independent contractor, and has no responsibility for any employees hired by Consultant.

(b) As an independent contractor, Consultant hereby expressly agrees that he is responsible for the payment of all taxes, including federal, state and local taxes, arising out of Consultant's performance of the services provided hereunder, including, but not limited to, federal and state income tax, Social Security tax, unemployment insurance taxes, worker's compensation and any and all other taxes.

(c) It is expressly agreed that Consultant will make any insurance arrangements for himself he deems necessary. Consultant understands that he shall not be entitled to receive any health insurance benefits, retirement benefits or other benefits available to employees of the Company.

5. Entire Agreement. This Agreement, with the Stock Purchase Agreement and the Noncompetition Agreement entered into by Consultant simultaneously herewith, contains the entire agreement of the parties with respect to its subject matter and, as of the date hereof, supersedes all previous and contemporaneous agreements and understandings, inducements, or conditions, expressed or implied, oral or written, between the parties with respect to the subject matter hereof, and no waiver, modification, or change of any of its provisions shall be valid unless in writing and signed by the parties against whom such claimed waiver, modification or change is sought to be enforced.
6. Waiver of Breach. The waiver of any breach of any term or condition of this Agreement shall not be deemed to constitute a waiver of any other term or condition of this Agreement.
7. Severability. If any term or provision of this Agreement or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Agreement shall not be affected thereby and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.
8. Applicable Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of North Carolina.

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

_____(SEAL)
WILLIAM G. HAUGEN, SR.

UNION TELEPHONE COMPANY OF HARTFORD

ATTEST:

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

MJD SERVICES CORP.

ATTEST:

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

TRANSITION SERVICES AGREEMENT

THIS TRANSITION SERVICES AGREEMENT (the "Agreement") is made effective as of the _____ day of _____, 1999 by and among WILLIAM G. HAUGEN, JR., a resident of South Dakota ("Consultant"), UNION TELEPHONE COMPANY OF HARTFORD, a South Dakota corporation (the "Company") and MJD SERVICES CORP., a Delaware corporation ("MJD").

W I T N E S S E T H:

WHEREAS, the Company is a South Dakota corporation engaged in, among other activities, the ownership and operation of a telephone company that provides wire line telecommunications services in the exchange of Hartford, South Dakota (the "Business"); and

WHEREAS, MJD is as of even date herewith acquiring all of the issued and outstanding common stock of the Company, pursuant to the terms of that certain Stock Purchase Agreement between and among MJD, the Company, Union TelNet, Inc., KM Satellite, Inc., William G. Haugen, Sr., Marilyn M. Haugen and William G. Haugen, Jr. (the "Stock Purchase Agreement"); and

WHEREAS, Consultant possesses valuable knowledge and experience regarding the business affairs of the Company; and

WHEREAS, the Company desires to obtain the services of Consultant for its business in order to insure an orderly transition of control of the Business, and Consultant is willing to provide such services;

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

1. Consultation Services. The Company hereby engages Consultant to provide Business consulting services, and Consultant hereby agrees to provide such services to the Company. The specific services to be rendered by Consultant shall be mutually agreed upon from time to time between Consultant and appropriate officers and/or the Board of Directors of the Company. Consultant agrees to devote such time and energy as may be necessary to perform the duties and responsibilities requested by the Company.
2. Term. The term of this Agreement shall be for a period of six (6) months commencing as of the date hereof ("Term").
3. Compensation. For all services rendered by Consultant under this Agreement, the Company shall pay Consultant upon

execution of this Agreement the amount of [REDACTED]
[REDACTED] (the "Consulting Payment").

4. Relationship of the Parties.

(a) It is expressly agreed and understood that Consultant shall act as an independent contractor and not as an employee or agent of the Company. The Company has no responsibility for Consultant as an independent contractor, and has no responsibility for any employees hired by Consultant.

(b) As an independent contractor, Consultant hereby expressly agrees that he is responsible for the payment of all taxes, including federal, state and local taxes, arising out of Consultant's performance of the services provided hereunder, including, but not limited to, federal and state income tax, Social Security tax, unemployment insurance taxes, worker's compensation and any and all other taxes.

(c) It is expressly agreed that Consultant will make any insurance arrangements for himself he deems necessary. Consultant understands that he shall not be entitled to receive any health insurance benefits, retirement benefits or other benefits available to employees of the Company.

5. Entire Agreement. This Agreement, with the Stock Purchase Agreement and the Noncompetition Agreement entered into by Consultant simultaneously herewith, contains the entire agreement of the parties with respect to its subject matter and, as of the date hereof, supersedes all previous and contemporaneous agreements and understandings, inducements, or conditions, expressed or implied, oral or written, between the parties with respect to the subject matter hereof, and no waiver, modification, or change of any of its provisions shall be valid unless in writing and signed by the parties against whom such claimed waiver, modification or change is sought to be enforced.

6. Waiver of Breach. The waiver of any breach of any term or condition of this Agreement shall not be deemed to constitute a waiver of any other term or condition of this Agreement.

7. Severability. If any term or provision of this Agreement or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Agreement shall not be affected thereby and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

8. Applicable Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of North Carolina.

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

_____(SEAL)
WILLIAM G. HAUGEN, JR.

UNION TELEPHONE COMPANY OF HARTFORD

ATTEST:

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

MJD SERVICES CORP.

ATTEST:

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

TRANSITION SERVICES AGREEMENT

THIS TRANSITION SERVICES AGREEMENT (the "Agreement") is made effective as of the _____ day of _____, 1999 by and among MARILYN M. HAUGEN, a resident of South Dakota ("Consultant"), UNION TELEPHONE COMPANY OF HARTFORD, a South Dakota corporation (the "Company") and MJD SERVICES CORP., a Delaware corporation ("MJD").

W I T N E S S E T H:

WHEREAS, the Company is a South Dakota corporation engaged in, among other activities, the ownership and operation of a telephone company that provides wire line telecommunications services in the exchange of Hartford, South Dakota (the "Business"); and

WHEREAS, MJD is as of even date herewith acquiring all of the issued and outstanding common stock of the Company, pursuant to the terms of that certain Stock Purchase Agreement between and among MJD, the Company, Union TelNet, Inc., KM Satellite, Inc., William G. Haugen, Sr., Marilyn M. Haugen and William G. Haugen, Jr. (the "Stock Purchase Agreement"); and

WHEREAS, Consultant possesses valuable knowledge and experience regarding the business affairs of the Company; and

WHEREAS, the Company desires to obtain the services of Consultant for its business in order to insure an orderly transition of control of the Business, and Consultant is willing to provide such services;

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

1. Consultation Services. The Company hereby engages Consultant to provide Business consulting services, and Consultant hereby agrees to provide such services to the Company. The specific services to be rendered by Consultant shall be mutually agreed upon from time to time between Consultant and appropriate officers and/or the Board of Directors of the Company. Consultant agrees to devote such time and energy as may be necessary to perform the duties and responsibilities requested by the Company.
2. Term. The term of this Agreement shall be for a period of six (6) months commencing as of the date hereof ("Term").
3. Compensation. For all services rendered by Consultant under this Agreement, the Company shall pay Consultant upon execution of this Agreement the amount of _____ (the "Consulting Payment").

4. Relationship of the Parties.

(a) It is expressly agreed and understood that Consultant shall act as an independent contractor and not as an employee or agent of the Company. The Company has no responsibility for Consultant as an independent contractor, and has no responsibility for any employees hired by Consultant.

(b) As an independent contractor, Consultant hereby expressly agrees that she is responsible for the payment of all taxes, including federal, state and local taxes, arising out of Consultant's performance of the services provided hereunder, including, but not limited to, federal and state income tax, Social Security tax, unemployment insurance taxes, worker's compensation and any and all other taxes.

(c) It is expressly agreed that Consultant will make any insurance arrangements for herself she deems necessary. Consultant understands that she shall not be entitled to receive any health insurance benefits, retirement benefits or other benefits available to employees of the Company.

5. Entire Agreement. This Agreement, with the Stock Purchase Agreement and the Noncompetition Agreement entered into by Consultant simultaneously herewith, contains the entire agreement of the parties with respect to its subject matter and, as of the date hereof, supersedes all previous and contemporaneous agreements and understandings, inducements, or conditions, expressed or implied, oral or written, between the parties with respect to the subject matter hereof, and no waiver, modification, or change of any of its provisions shall be valid unless in writing and signed by the parties against whom such claimed waiver, modification or change is sought to be enforced.
6. Waiver of Breach. The waiver of any breach of any term or condition of this Agreement shall not be deemed to constitute a waiver of any other term or condition of this Agreement.
7. Severability. If any term or provision of this Agreement or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Agreement shall not be affected thereby and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.
8. Applicable Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of North Carolina.

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

_____(SEAL)
MARILYN M. HAUGEN

UNION TELEPHONE COMPANY OF HARTFORD

ATTEST:

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

ATTEST:

NJD SERVICES CORP.

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

NONCOMPETITION AGREEMENT

THIS NONCOMPETITION AGREEMENT (the "Agreement") is made effective as of the _____ day of _____, 199__ (the "Effective Date"), by and between WILLIAM G. HAUGEN, SR., a resident of the State of South Dakota ("Haugen"), UNION TELEPHONE COMPANY OF HARTFORD, a South Dakota corporation ("Union"), UNION TELNET, INC., a South Dakota corporation ("TelNet") (Union and TelNet referred to collectively as "the Companies") and MJD SERVICES CORP., a Delaware corporation ("MJD").

W I T N E S S E T H:

WHEREAS, pursuant to that certain Stock Purchase Agreement of even date herewith (the "Purchase Agreement") by and among the Companies, KM Satellite, Inc., MJD, William G. Haugen, Sr., Marilyn M. Haugen, and William G. Haugen, Jr. (collectively, the "Haugens"), MJD is purchasing all of the outstanding common stock of Union from the Haugens; and

WHEREAS, Haugen is a principal shareholder of Union, and Union is the sole shareholder of TelNet, and Haugen's knowledge of and contacts within the Companies' relevant trade area are such that MJD is unwilling to enter into the Purchase Agreement in the absence of Haugen's entry into, and full compliance with, this Agreement.

NOW, THEREFORE, in consideration of and as an inducement to MJD's entering into the Purchase Agreement and the transactions contemplated thereby, the payment of the consideration recited herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Haugen hereby undertakes and agrees as follows:

1. Except as expressly specified in Paragraph 2 below, Haugen will not, without the prior clear and affirmative advance written approval of the Companies and MJD, directly or indirectly engage, or attempt to engage, in any of the "Restricted Activities" with respect to the "Restricted Businesses" within the "Restricted Territory" during the "Restricted Period." The terms "Restricted Activities," "Restricted Businesses," "Restricted Territory" and "Restricted Period" are defined in Paragraphs 1(a) through 1(d) below.

- (a) Restricted Activities. The term "Restricted Activities" shall mean direct or indirect participation by Haugen or an Affiliate of Haugen in the:

- (1) formation, ownership, control, management or operation, in whole or in part, of any entity

which engages in one or more of the "Restricted Businesses" within the "Restricted Territory"; and/or advising, providing consulting services to, or otherwise assisting such entity in the analysis or development of business opportunities and/or the solicitation of customers with respect to one or more of the "Restricted Businesses" within the "Restricted Territory"; or

- (2) employment, engagement, solicitation for potential employment or engagement, or assistance in the employment, engagement or solicitation for potential employment or engagement, by any third party, of any person who, on the Effective Date or thereafter, is employed or engaged as an agent, consultant or independent contractor by any of the Companies or MJD. Notwithstanding anything in this Agreement to the contrary, the restrictions set forth in this subparagraph 1(a)(2) shall apply regardless of whether such third party is located inside or outside of the Restricted Territory.

- (b) Restricted Businesses. The term "Restricted Businesses" shall encompass the offering, marketing, sale or provision of any telecommunications, enhanced or information service within the Restricted Territory to any existing or future customer of the Companies. The prohibited telecommunications, enhanced or information services include the following named services (whether offered on a retail or wholesale basis, and whether provided on a facilities-based or resale basis), plus any existing or future service which becomes capable of substitution for one or more of the named services during the Restricted Period:

- (1) Wireline local exchange and exchange access services;
- (2) Wireless local loop and access services;
- (3) Wireless mobility services (including analog and digital cellular, PCS, SMR, satellite and paging services);
- (4) Wireline or wireless Internet access services;
- (5) Competitive local exchange carrier services;
- (6) Interstate and intrastate toll services;

- (7) Video conferencing and conference calling services;
- (8) Voice and electronic mail services;
- (9) Facsimile and data services;
- (10) Directory and operator assistance services;
- (11) Prepaid calling cards and other prepaid telecommunications and information services; and
- (12) Customer premises equipment and inside wiring maintenance services.

For purposes of this Agreement, any Person shall be deemed an existing or future customer of the Companies if such Person has a business or residence located within the Restricted Territory.

- (c) Restricted Territory. The term "Restricted Territory" shall include any and all locations which as of the Effective Date are within any of the exchange areas of the Companies, as defined by the South Dakota Public Utilities Commission, and any and all locations within twenty-five (25) miles beyond the boundaries of any such exchange areas.
- (d) Restricted Period. The term "Restricted Period" shall be a period of three (3) consecutive years, commencing with the Effective Date.
- (e) Affiliate. The term "Affiliate" shall mean, with regard to any Person, any Person which, directly or indirectly controls, is controlled by, or is under common control with, such Person and, with respect to any Person who is an individual, the spouse, ancestors and descendants (lineal or by marriage) thereof. "Control" (including, with correlative meaning, the terms "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by Contract or otherwise.
- (f) Person. The term "Person" shall mean any corporation, partnership, joint venture, organization, entity, authority or natural person, together with any and all heirs, successors, representatives and assigns thereof.

2. Notwithstanding anything to the contrary herein, Haugen may, without further written consent from the Companies or KUD, participate in the formation, ownership, control, management and operation of any businesses established within the Restricted Territory by the ABS LADS Joint Venture, or its successor(s) or assign(s), under the authority of its licensed A-Block LADS facilities in the Sioux Falls, South Dakota and Mitchell, South Dakota Basic Trading Areas.
3. Haugen shall not, directly or indirectly, at any and all times hereafter, use, divulge or make available to any Person, any confidential information or any documents, files or other papers concerning the business of the Companies, except for such disclosure which is consented to in writing in advance by KUD, or otherwise required by applicable law or regulations.
4. As consideration for the foregoing restrictions, (in addition to KUD's execution of the Purchase Agreement), KUD shall pay Haugen the principal sum of [REDACTED] (the "Noncompete Payment"). The Noncompete Payment shall be payable in three (3) equal annual installments of [REDACTED] each, payable on the first (1st), second (2nd) and third (3rd) anniversaries of the Effective Date, respectively, subject to the provisions hereof. The Noncompete Payment may be prepaid in part or in full at any time by KUD, in its sole discretion, without penalty or premium.
5. Without limiting its other rights and remedies, KUD shall be entitled to set off, against all sums otherwise due and payable hereunder, all amounts with respect to which KUD is entitled to indemnification pursuant to the terms of the Purchase Agreement, and all damages to KUD or the Companies resulting from Haugen's breach of any covenant contained herein. KUD shall notify Haugen of any such sums to be set off, specifying the basis for such set off and the amount thereof.
6. In the event of any breach by Haugen of any provision contained herein, the Restricted Period shall, to the extent permitted by law, be extended by any period of time during which (1) such breach continues, or (11) there is pending litigation in which KUD is seeking to enforce the terms of this Agreement.
7. Except as otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Purchase Agreement. In the event that any provision contained herein is held to be invalid, prohibited or unenforceable because of the scope, duration or area of its

applicability or for other reasons, such provision shall be ineffective only to the extent of such invalidity, prohibition or unenforceability, without invalidating the remaining provisions hereof. No narrowed construction, court-modification or invalidation of any provision hereof shall affect the construction, legality, validity or enforceability of any other provision hereof.

8. Haugen acknowledges that the Companies and MJD will be irreparably damaged if the provisions hereof are not specifically enforced, and agrees that either or both of the Companies and/or MJD shall be entitled to an injunction restraining any violation or attempted violation of this Agreement (without any bond or other security being required), or any other appropriate decree of specific performance. Such remedies shall not be exclusive and shall be in addition to any other remedy which the Companies and/or MJD may have.
9. This Agreement shall be governed and construed in accordance with the laws of the State of North Carolina. This Agreement shall inure to the benefit of the Companies and MJD and their successors and assigns. The terms hereof may not be modified or terminated except by a writing signed by the Companies, MJD and Haugen.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned have executed this Agreement effective as of the date first set forth above.

WILLIAM G. HAUGEN, SR. (SEAL)

UNION TELEPHONE COMPANY OF
HARTFORD

ATTEST:

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

UNION TELNET, INC.

ATTEST:

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

MJD SERVICES CORP.

ATTEST:

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

NONCOMPETITION AGREEMENT

THIS NONCOMPETITION AGREEMENT (the "Agreement") is made effective as of the _____ day of _____, 199__ (the "Effective Date"), by and between WILLIAM G. HAUGEN, JR., a resident of the State of South Dakota ("Haugen"), UNION TELEPHONE COMPANY OF HARTFORD, a South Dakota corporation ("Union"), UNION TELNET, INC., a South Dakota corporation ("TelNet") (Union and TelNet referred to collectively as "the Companies") and MJD SERVICES CORP., a Delaware corporation ("MJD").

W I T N E S S E T H:

WHEREAS, pursuant to that certain Stock Purchase Agreement of even date herewith (the "Purchase Agreement") by and among the Companies, KM Satellite, Inc., MJD, William G. Haugen, Sr., Marilyn M. Haugen, and William G. Haugen, Jr. (collectively, the "Haugens"), MJD is purchasing all of the outstanding common stock of Union from the Haugens; and

WHEREAS, Haugen is a principal shareholder of Union, and Union is the sole shareholder of TelNet, and Haugen's knowledge of and contacts within the Companies' relevant trade area are such that MJD is unwilling to enter into the Purchase Agreement in the absence of Haugen's entry into, and full compliance with, this Agreement.

NOW, THEREFORE, in consideration of and as an inducement to MJD's entering into the Purchase Agreement and the transactions contemplated thereby, the payment of the consideration recited herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Haugen hereby undertakes and agrees as follows:

1. Except as expressly specified in Paragraph 2 below, Haugen will not, without the prior clear and affirmative advance written approval of the Companies and MJD, directly or indirectly engage, or attempt to engage, in any of the "Restricted Activities" with respect to the "Restricted Businesses" within the "Restricted Territory" during the "Restricted Period." The terms "Restricted Activities," "Restricted Businesses," "Restricted Territory" and "Restricted Period" are defined in Paragraphs 1(a) through 1(d) below.

(a) Restricted Activities. The term "Restricted Activities" shall mean direct or indirect participation by Haugen or an Affiliate of Haugen in the:

- (1) formation, ownership, control, management or operation, in whole or in part, of any entity

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which engages in one or more of the "Restricted Businesses" within the "Restricted Territory"; and/or advising, providing consulting services to, or otherwise assisting such entity in the analysis or development of business opportunities and/or the solicitation of customers with respect to one or more of the "Restricted Businesses" within the "Restricted Territory"; or

- (2) employment, engagement, solicitation for potential employment or engagement, or assistance in the employment, engagement or solicitation for potential employment or engagement, by any third party, of any person who, on the Effective Date or thereafter, is employed or engaged as an agent, consultant or independent contractor by any of the Companies or MJD. Notwithstanding anything in this Agreement to the contrary, the restrictions set forth in this subparagraph 1(a)(2) shall apply regardless of whether such third party is located inside or outside of the Restricted Territory.

- (b) Restricted Businesses. The term "Restricted Businesses" shall encompass the offering, marketing, sale or provision of any telecommunications, enhanced or information service within the Restricted Territory to any existing or future customer of the Companies. The prohibited telecommunications, enhanced or information services include the following named services (whether offered on a retail or wholesale basis, and whether provided on a facilities-based or resale basis), plus any existing or future service which becomes capable of substitution for one or more of the named services during the Restricted Period:

- (1) Wireline local exchange and exchange access services;
- (2) Wireless local loop and access services;
- (3) Wireless mobility services (including analog and digital cellular, PCS, SMR, satellite and paging services);
- (4) Wireline or wireless Internet access services;
- (5) Competitive local exchange carrier services;
- (6) Interstate and intrastate toll services;

- (7) Video conferencing and conference calling services;
- (8) Voice and electronic mail services;
- (9) Facsimile and data services;
- (10) Directory and operator assistance services;
- (11) Prepaid calling cards and other prepaid telecommunications and information services; and
- (12) Customer premises equipment and inside wiring maintenance services.

For purposes of this Agreement, any Person shall be deemed an existing or future customer of the Companies if such Person has a business or residence located within the Restricted Territory.

- (c) Restricted Territory. The term "Restricted Territory" shall include any and all locations which as of the Effective Date are within any of the exchange areas of the Companies, as defined by the South Dakota Public Utilities Commission, and any and all locations within twenty-five (25) miles beyond the boundaries of any such exchange areas.
- (d) Restricted Period. The term "Restricted Period" shall be a period of three (3) consecutive years, commencing with the Effective Date.
- (e) Affiliate. The term "Affiliate" shall mean, with regard to any Person, any Person which, directly or indirectly controls, is controlled by, or is under common control with, such Person and, with respect to any Person who is an individual, the spouse, ancestors and descendants (lineal or by marriage) thereof. "Control" (including, with correlative meaning, the terms "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by Contract or otherwise.
- (f) Person. The term "Person" shall mean any corporation, partnership, joint venture, organization, entity, authority or natural person, together with any and all heirs, successors, representatives and assigns thereof.

2. Notwithstanding anything to the contrary herein, Haugen may, without further written consent from the Companies or MJD, participate in the formation, ownership, control, management and operation of any businesses established within the Restricted Territory by the ABS LIDS Joint Venture, or its successor(s) or assign(s), under the authority of its licensed A-Block LIDS facilities in the Sioux Falls, South Dakota and Mitchell, South Dakota Basic Trading Areas.
3. Haugen shall not, directly or indirectly, at any and all times hereafter, use, divulge or make available to any Person, any confidential information or any documents, files or other papers concerning the business of the Companies, except for such disclosure which is consented to in writing in advance by MJD, or otherwise required by applicable law or regulations.
4. As consideration for the foregoing restrictions, (in addition to MJD's execution of the Purchase Agreement), MJD shall pay Haugen the principal sum of [REDACTED] (the "Noncompete Payment"). The Noncompete Payment shall be payable in three (3) equal annual installments of [REDACTED] each, payable on the first (1st), second (2nd) and third (3rd) anniversaries of the Effective Date, respectively, subject to the provisions hereof. The Noncompete Payment may be prepaid in part or in full at any time by MJD, in its sole discretion, without penalty or premium.
5. Without limiting its other rights and remedies, MJD shall be entitled to set off, against all sums otherwise due and payable hereunder, all amounts with respect to which MJD is entitled to indemnification pursuant to the terms of the Purchase Agreement, and all damages to MJD or the Companies resulting from Haugen's breach of any covenant contained herein. MJD shall notify Haugen of any such sums to be set off, specifying the basis for such set off and the amount thereof.
6. In the event of any breach by Haugen of any provision contained herein, the Restricted Period shall, to the extent permitted by law, be extended by any period of time during which (i) such breach continues, or (ii) there is pending litigation in which MJD is seeking to enforce the terms of this Agreement.
7. Except as otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Purchase Agreement. In the event that any provision contained herein is held to be invalid, prohibited or unenforceable because of the scope, duration or area of its

applicability or for other reasons, such provision shall be ineffective only to the extent of such invalidity, prohibition or unenforceability, without invalidating the remaining provisions hereof. No narrowed construction, court-modification or invalidation of any provision hereof shall affect the construction, legality, validity or enforceability of any other provision hereof.

8. Haugen acknowledges that the Companies and MJD will be irreparably damaged if the provisions hereof are not specifically enforced, and agrees that either or both of the Companies and/or MJD shall be entitled to an injunction restraining any violation or attempted violation of this Agreement (without any bond or other security being required), or any other appropriate decree of specific performance. Such remedies shall not be exclusive and shall be in addition to any other remedy which the Companies and/or MJD may have.
9. This Agreement shall be governed and construed in accordance with the laws of the State of North Carolina. This Agreement shall inure to the benefit of the Companies and MJD and their successors and assigns. The terms hereof may not be modified or terminated except by a writing signed by the Companies, MJD and Haugen.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned have executed this Agreement effective as of the date first set forth above.

WILLIAM G. HAUGEN, JR. (SEAL)

UNION TELEPHONE COMPANY OF
HARTFORD

ATTEST:

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

ATTEST:

UNION TELNET, INC.

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

ATTEST:

MJD SERVICES CORP.

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

NONCOMPETITION AGREEMENT

THIS NONCOMPETITION AGREEMENT (the "Agreement") is made effective as of the _____ day of _____, 199__ (the "Effective Date"), by and between MARILYN M. HAUGEN, a resident of the State of South Dakota ("Haugen"), UNION TELEPHONE COMPANY OF HARTFORD, a South Dakota corporation ("Union"), UNION TELNET, INC., a South Dakota corporation ("TelNet") (Union and TelNet referred to collectively as "the Companies") and MJD SERVICES CORP., a Delaware corporation ("MJD").

WITNESSETH:

WHEREAS, pursuant to that certain Stock Purchase Agreement of even date herewith (the "Purchase Agreement") by and among the Companies, KM Satellite, Inc., MJD, William G. Haugen, Sr., Marilyn M. Haugen, and William G. Haugen, Jr. (collectively, the "Haugens"), MJD is purchasing all of the outstanding common stock of Union from the Haugens; and

WHEREAS, Haugen is a principal shareholder of Union, and Union is the sole shareholder of TelNet, and Haugen's knowledge of and contacts within the Companies' relevant trade area are such that MJD is unwilling to enter into the Purchase Agreement in the absence of Haugen's entry into, and full compliance with, this Agreement.

NOW, THEREFORE, in consideration of and as an inducement to MJD's entering into the Purchase Agreement and the transactions contemplated thereby, the payment of the consideration recited herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Haugen hereby undertakes and agrees as follows:

1. Except as expressly specified in Paragraph 2 below, Haugen will not, without the prior clear and affirmative advance written approval of the Companies and MJD, directly or indirectly engage, or attempt to engage, in any of the "Restricted Activities" with respect to the "Restricted Businesses" within the "Restricted Territory" during the "Restricted Period." The terms "Restricted Activities," "Restricted Businesses," "Restricted Territory" and "Restricted Period" are defined in Paragraphs 1(a) through 1(d) below.

- (a) Restricted Activities. The term "Restricted Activities" shall mean direct or indirect participation by Haugen or an Affiliate of Haugen in the:

- (1) formation, ownership, control, management or operation, in whole or in part, of any entity

which engages in one or more of the "Restricted Businesses" within the "Restricted Territory"; and/or advising, providing consulting services to, or otherwise assisting such entity in the analysis or development of business opportunities and/or the solicitation of customers with respect to one or more of the "Restricted Businesses" within the "Restricted Territory"; or

- (2) employment, engagement, solicitation for potential employment or engagement, or assistance in the employment, engagement or solicitation for potential employment or engagement, by any third party, of any person who, on the Effective Date or thereafter, is employed or engaged as an agent, consultant or independent contractor by any of the Companies or MJD. Notwithstanding anything in this Agreement to the contrary, the restrictions set forth in this subparagraph 1(a)(2) shall apply regardless of whether such third party is located inside or outside of the Restricted Territory.

- (b) Restricted Businesses. The term "Restricted Businesses" shall encompass the offering, marketing, sale or provision of any telecommunications, enhanced or information service within the Restricted Territory to any existing or future customer of the Companies. The prohibited telecommunications, enhanced or information services include the following named services (whether offered on a retail or wholesale basis, and whether provided on a facilities-based or resale basis), plus any existing or future service which becomes capable of substitution for one or more of the named services during the Restricted Period:

- (1) Wireline local exchange and exchange access services;
- (2) Wireless local loop and access services;
- (3) Wireless mobility services (including analog and digital cellular, PCS, SMR, satellite and paging services);
- (4) Wireline or wireless Internet access services;
- (5) Competitive local exchange carrier services;
- (6) Interstate and intrastate toll services;

- (7) Video conferencing and conference calling services;
- (8) Voice and electronic mail services;
- (9) Facsimile and data services;
- (10) Directory and operator assistance services;
- (11) Prepaid calling cards and other prepaid telecommunications and information services; and
- (12) Customer premises equipment and inside wiring maintenance services.

For purposes of this Agreement, any Person shall be deemed an existing or future customer of the Companies if such Person has a business or residence located within the Restricted Territory.

- (c) Restricted Territory. The term "Restricted Territory" shall include any and all locations which as of the Effective Date are within any of the exchange areas of the Companies, as defined by the South Dakota Public Utilities Commission, and any and all locations within twenty-five (25) miles beyond the boundaries of any such exchange areas.
- (d) Restricted Period. The term "Restricted Period" shall be a period of three (3) consecutive years, commencing with the Effective Date.
- (e) Affiliate. The term "Affiliate" shall mean, with regard to any Person, any Person which, directly or indirectly controls, is controlled by, or is under common control with, such Person and, with respect to any Person who is an individual, the spouse, ancestors and descendants (lineal or by marriage) thereof. "Control" (including, with correlative meaning, the terms "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by Contract or otherwise.
- (f) Person. The term "Person" shall mean any corporation, partnership, joint venture, organization, entity, authority or natural person, together with any and all heirs, successors, representatives and assigns thereof.

2. Notwithstanding anything to the contrary herein, Haugen may, without further written consent from the Companies or KTD, participate in the formation, ownership, control, management and operation of any business established within the Restricted Territory by the SAS LMS Joint Venture, or its successor(s) or assign(s), under the authority of its licensed 2-Stock LMS facilities in the Sioux Falls, South Dakota and Mitchell, South Dakota Basic Trading Areas.
3. Haugen shall not, directly or indirectly, at any and all times hereafter, use, divulge or make available to any Person, any confidential information or any documents, files or other papers concerning the business of the Companies, except for such disclosures which is consented to in writing in advance by KTD, or otherwise required by applicable law or regulations.
4. As consideration for the foregoing restrictions, (in addition to KTD's execution of the Purchase Agreement), KTD shall pay Haugen the principal sum of [REDACTED] (the "Noncompete Payment"). The Noncompete Payment shall be payable in three (3) equal annual installments of [REDACTED] each, payable on the first (1st), second (2nd) and third (3rd) anniversaries of the Effective Date, respectively, subject to the provisions hereof. The Noncompete Payment may be prepaid in part or in full at any time by KTD, in its sole discretion, without penalty or premium.
5. Without limiting its other rights and remedies, KTD shall be entitled to set off, against all sums otherwise due and payable hereunder, all amounts with respect to which KTD is entitled to indemnification pursuant to the terms of the Purchase Agreement, and all damages to KTD or the Companies resulting from Haugen's breach of any covenant contained herein. KTD shall notify Haugen of any such sums to be set off, specifying the basis for such set off and the amount thereof.
6. In the event of any breach by Haugen of any provision contained herein, the Restricted Period shall, to the extent permitted by law, be extended by any period of time during which (1) such breach continues, or (11) there is pending litigation in which KTD is seeking to enforce the terms of this Agreement.
7. Except as otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Purchase Agreement. In the event that any provision contained herein is held to be invalid, prohibited or unenforceable because of the scope, duration or area of its

applicability or for other reasons, such provision shall be ineffective only to the extent of such invalidity, prohibition or unenforceability, without invalidating the remaining provisions hereof. No narrowed construction, court-modification or invalidation of any provision hereof shall affect the construction, legality, validity or enforceability of any other provision hereof.

8. Haugen acknowledges that the Companies and MJD will be irreparably damaged if the provisions hereof are not specifically enforced, and agrees that either or both of the Companies and/or MJD shall be entitled to an injunction restraining any violation or attempted violation of this Agreement (without any bond or other security being required), or any other appropriate decree of specific performance. Such remedies shall not be exclusive and shall be in addition to any other remedy which the Companies and/or MJD may have.
9. This Agreement shall be governed and construed in accordance with the laws of the State of North Carolina. This Agreement shall inure to the benefit of the Companies and MJD and their successors and assigns. The terms hereof may not be modified or terminated except by a writing signed by the Companies, MJD and Haugen.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned have executed this Agreement effective as of the date first set forth above.

_____(SEAL)
MARILYN M. HAUGHEN

UNION TELEPHONE COMPANY OF
HARTFORD

ATTEST:

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

UNION TELNET, INC.

ATTEST:

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

NJD SERVICES CORP.

ATTEST:

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

KINSEY E

UNDERWOOD KINSEY WARREN & TUCKER, P.A.

ATTORNEYS AT LAW
CHARLOTTE PLAZA BUILDING, SUITE 2600
261 SOUTH COLLEGE STREET
CHARLOTTE, NORTH CAROLINA 28244-3838

MURRAY M. BLACK
KIMBERLYE FAYBOUX CORNWELL
RICHARD L. FARLEY
C. RALPH EDNEY, JR.
SHIRLEY J. LEM
JOHN H. MCKINNEY III
FRANCIS M. MCKINNEY III
CARLTON A. MCKINNEY, JR.
WILLIAM L. MITTON, JR.
WILLIAM L. DOWELL
MURRAY S. TUCKER, JR.
WILLIAM E. UNDERWOOD, JR.
JOHN W. WARREN III

TELEPHONE
704-333-1300

FACSIMILE
704-377-0680

_____, 1999

William G. Haugen, Sr.
Marilyn M. Haugen
William G. Haugen, Jr.

Ladies and Gentlemen:

We have acted as counsel to MJD Services Corp., a Delaware corporation ("MJD" or the "Purchaser"), in connection with the purchase by the Purchaser from each of you (collectively, the "Sellers") of all of the issued and outstanding common stock of Union Telephone Company of Hartford (the "Company"), pursuant to a Stock Purchase Agreement entered into as of December __, 1998 (the "Purchase Agreement") by, between and among the Purchaser, the Company, Union TelNET, Inc., EN Satellites, Inc. and the Sellers.

This opinion is being delivered to you pursuant to Section 9.9 of the Purchase Agreement. Capitalized terms used herein which are not otherwise defined herein shall have the meanings set forth in the Purchase Agreement.

In connection with this transaction, we have reviewed the Articles of Incorporation and Bylaws (the "Organizational Documents") of the Purchaser, the Purchase Agreement and such other instruments and documents as are executed and delivered pursuant to the Purchase Agreement, and have examined such other records and information and have conducted such other investigations as we have deemed necessary to render the opinions set forth below. As to

facts material to our opinion, we have relied upon the factual representations of the Purchaser in the Purchase Agreement, certificates from certain state authorities and on those certificates delivered at Closing.

We have assumed the conformity of all copies to the originals of all documents reviewed by us, the genuineness of all signatures (other than those of the shareholders, directors and officers of the Purchaser) and the authenticity of all documents submitted to us (whether originals or copies).

For the purposes of our opinion, we have assumed that the Purchase Agreement and all other instruments and documents executed and delivered pursuant thereto have been duly authorized, executed and delivered by all of the parties thereto other than the Purchaser.

Whenever a statement herein is qualified by the phrases "known to us" or "to our knowledge", or similar phrases, it is intended to indicate that during the course of our representation of the Purchase Agreement and the transactions contemplated by the Purchase Agreement, and having made inquiry of certain officers of the Purchaser as to such matters, no information that would give us actual knowledge of the inaccuracy of such statement has come to our attention. However, we have not undertaken any independent investigation or review to determine the accuracy of any such statement. No inference as to our knowledge of any matters bearing on the accuracy of any such statement should be drawn from our representation of the Purchaser.

Based upon the foregoing, and subject to the assumptions and qualifications herein set forth, it is our opinion that:

1. KTD is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware with full corporate power and authority to carry on the business in which it is engaged, to own, lease and operate its properties, and to enter into and to perform its obligations under the Purchase Agreement.

2. The execution and delivery of the Purchase Agreement was duly authorized and approved by the Board of Directors of KTD. The Purchase Agreement is a valid and binding obligation of KTD enforceable in accordance with its terms, except that (i) such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to creditors' rights in the event of future bankruptcy, insolvency or reorganization of the Purchaser, and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought. All persons who have executed the Purchase Agreement on behalf of KTD have been duly authorized to do so by all necessary corporate action.

3. To our knowledge, MJD has given all notices to and has obtained from all state and federal regulatory authorities any approvals, consents, permits and authorizations required in order to consummate the transactions contemplated in the Purchase Agreement.

The opinions expressed herein are based upon and limited to matters governed by the laws of the State of North Carolina and the State of Delaware, and we express no opinion as to any matter governed by the laws of any other jurisdiction. We are not authorized to practice law in the State of Delaware and the opinions set forth herein are rendered solely upon our review of applicable provisions of Delaware corporation law as currently published in standard compilations and such consultations with Delaware local counsel as we have deemed necessary or appropriate.

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention or any changes in laws which may hereafter occur. This opinion is limited to matters herein, and no opinion may be inferred or implied beyond the matters expressly stated herein.

This opinion is being furnished to you in connection with the transactions contemplated by the Purchase Agreement. This opinion is solely for your benefit and is not to be used, circulated, quoted or otherwise referred to for any other purpose nor relied upon by any other person or entity without our prior written consent.

Finally, the opinions expressed herein represent our reasonable judgment as to the matters of law addressed herein, based upon the facts presented or assumed, and are not, and should not be construed or considered as, a guaranty.

Very truly yours,

UNDERWOOD KINSEY WARREN & TUCKER, P.A.

(Counsel of Daveport, Evans, Hurwitz & Smith, L.L.P.)

_____, 1999

MJD Services Corp.
521 East Moreland Street
Suite 250
Charlotte, NC 28202

Re: William G. Haugen, Sr., Marilyn M. Haugen, William G. Haugen, Jr.
and Union Telephone Company of Hartford

Ladies and Gentlemen:

We have served as counsel to Union Telephone Company of Hartford ("Union") and its subsidiaries, KM Satellite, Inc. ("KM") and Union TelNET, Inc. ("UTN") (collectively the "Company"), each a South Dakota corporation, in connection with the preparation, execution and delivery of the Stock Purchase Agreement dated as of December 24, 1998 (the "Agreement"), among MJD Services Corp. ("MJD"), the Company, William G. Haugen, Sr., Marilyn M. Haugen, and William G. Haugen, Jr., the holders of 162 shares of the issued and outstanding common stock of the Company (the Haugens hereinafter referred to collectively as the "Shareholders"), relating to the purchase of the shares of common stock of Union owned by the Shareholders (the "Haugen Shares"). We have also served as counsel to the Shareholders in connection with the transactions contemplated by the Agreement. This opinion is delivered to you pursuant to Section 10.11 of the Agreement. All capitalized terms used herein have the meaning assigned to them in the Agreement except as otherwise provided herein.

In connection with the opinions expressed below, we have examined and are familiar with originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records and other writings of the Company and the Shareholders, certificates of public officials or officers of the Company and the Shareholders, and such other documents and writings as we have deemed necessary or appropriate for the opinions hereinafter expressed.

In making such examination and rendering the opinions set forth below, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity of authentic original documents of all documents submitted to us as certified, conformed or photostatic copies, and the authenticity of the originals of such documents and the legal capacity of all natural persons.

For the purposes of our opinion, we have assumed that the Purchase Agreement and all other instruments and documents executed and delivered pursuant thereto have been duly authorized, executed and delivered by all of the parties thereto other than the Shareholders.

Whenever a statement herein is qualified by the phrases "known to us" or "to our knowledge", or similar phrases, it is intended to indicate that during the course of our representation of the Shareholders and the transactions contemplated by the Purchase Agreement, and having made inquiry of certain officers of the Company as to such matters, no information that would give us actual knowledge of the inaccuracy of such statement has come to our attention. However, we have not undertaken any independent investigation or review to determine the accuracy of any such statement. No inference as to our knowledge of any matters bearing on the accuracy of any such statement should be drawn from our representation of the Shareholders.

Our opinions as hereinafter expressed are subject to the following qualifications:

1. Our opinions are subject to the effect of bankruptcy, fraudulent conveyance, insolvency, reorganization, arrangement, moratorium and other similar laws;
2. Our opinions are subject to limitations imposed by laws and judicial decisions relating to or affecting the rights of creditors or secured creditors generally, or general principles of equity (regardless of whether enforcement is considered in proceedings at law or in equity) upon the enforceability of any of the remedies, covenants and other provisions of the Agreement and upon the availability of injunctive relief or other equitable remedies;
3. We express no opinion as to the creation or enforceability of security interests or as to the recoverability of attorneys' fees and legal expenses;
4. We express no opinion as to the laws or the effect or applicability of the laws of any jurisdiction other than the laws of the State of South Dakota or the United States of America;

5. The opinions expressed herein are as of the date hereof, and we undertake no responsibility to advise you of changes occurring after the date of this letter.

6. The Articles of Incorporation of Union specify that it was organized to take over the business of a predecessor corporation of the same name, which was incorporated in 1904 and whose corporate existence had expired in 1924, the year of incorporation of Union. As part of its organizational procedures, Union issued 183 shares of its original issue stock to shareholders from its predecessor corporation on a one-for-one basis. There are no stock records or other corporate records available for the predecessor corporation. For purposes of this opinion, we have assumed that the 183 shares originally issued by Union to shareholders of its predecessor corporation represented an exchange for all of its predecessor's outstanding stock.

Based upon the foregoing and subject to further assumptions, limitations and qualifications set forth below, we are of the opinion that:

a. Union, KM and UTI are each a corporation duly incorporated, validly existing and in good standing under the laws of the State of South Dakota with full corporate power and authority to carry on the business in which it is presently engaged and to own, lease and operate its properties as now being conducted and to perform its obligations under the Agreement.

b. The execution and delivery of the Agreement has been duly authorized and approved by the Shareholders and the board of directors of the Company. The Agreement is a valid and binding obligation of the Company and the Shareholders, enforceable in accordance with its terms, subject to limitations and qualifications noted above. All persons who have executed this Agreement on behalf of the Company have been duly authorized to do so by all necessary action.

c. The authorized capital stock of Union consists of [REDACTED] shares of [REDACTED] par value common stock, of which One Hundred Seventy-four (174) shares are issued and outstanding (the "Union Common Stock"). Union has no other class of stock authorized or issued and outstanding. All of the issued and outstanding shares of the Union Common Stock are duly and validly issued and outstanding, are fully paid and nonassessable, were issued in material compliance with all state and federal laws and are held of record as follows:

Shareholder	Number of Shares/Class	Certificate Numbers
William G. Haugen, Sr.	44, Common	_____
Marilyn M. Haugen	45, Common	_____

William G. Haugen, Jr.	73, Common	_____
Other Minority Shareholders	12, Common	_____

The delivery by the Shareholders to MJD at closing of certificates representing the Haugen Shares will pass good and marketable title to the Haugen Shares to MJD free and clear of all liens, encumbrances, claims, restrictions and equities of any kind. There are no outstanding warrants, options, rights, puts, calls or other commitments of any nature relating to the Union Common Stock, and there are no outstanding securities or debt obligations of Union convertible into shares of capital stock of Union. None of the issued and outstanding shares of capital stock of Union were issued in violation of preemptive rights.

(d) KM and UTI are each a subsidiary of Union. Union has no other subsidiaries, whether wholly or partially owed. The authorized capital stock of KM consists of ~~One Hundred Thousand~~ shares of ~~One~~ per value common stock, of which One Thousand (1,000) shares are issued and outstanding (the "KM Common Stock"). The authorized capital stock of UTI consists of One Hundred Thousand (100,000) shares of \$1.00 per value common stock of which Twenty-five Thousand (25,000) shares are issued and outstanding (the "UTI Common Stock"). Neither KM nor UTI has any other class of stock authorized or issued and outstanding. All of the issued and outstanding shares of the KM Common Stock and the UTI Common Stock are duly and validly issued and outstanding, are fully paid and nonassessable, were issued in material compliance with all state and federal laws and are held of record as follows:

<u>Shareholder</u>	<u>Company/Number of Shares/Class</u>	<u>Certificate Number</u>
Union	KM/1,000/Common	_____
Union	UTI/25,000/Common	_____

Following the delivery by the Shareholders to MJD at closing of certificates representing the Haugen Shares, Union will continue to own good and marketable title to all of the KM Common Stock and UTI Common Stock free and clear of all liens, encumbrances, claims, restrictions and equities of any kind. There are no outstanding warrants, options, rights, puts, calls or other commitments of any nature relating to the KM Common Stock or the UTI Common Stock, and there are no outstanding securities or debt obligations of either KM or UTI convertible into shares of capital stock of KM or UTI. None of the issued and outstanding shares of capital stock of either KM or UTI were issued in violation of preemptive rights.

(e) Except as disclosed in the Agreement and the schedules attached thereto, the execution, delivery and performance of the Agreement and the consummation of the transactions contemplated by the Agreement will not: (i) violate or result in a breach of or default or acceleration under the Articles of Incorporation or By-Laws of the Company or any instrument or agreement to which the Company or the Shareholders are a party or are bound which would have a material adverse effect on the Company's properties or operations; (ii) violate any judgment, order, injunction, decree or award against or binding upon the Company or the Shareholders or upon the Union Common Stock, the KM Common Stock, the UTI Common Stock or other securities, property or business of the Company which would have a material adverse effect on the Company's properties or operations; (iii) result in the creation of any material lien, charge or encumbrance upon the properties or assets of the Company or the Union Common Stock, the KM Common Stock or the UTI Common Stock; or (iv) violate any law or regulation of any jurisdiction relating to the Company or the Shareholders or the Union Common Stock, the KM Common Stock, the UTI Common Stock or other securities, property or business of the Company, assuming all required regulatory approvals have been obtained in connection with the transactions contemplated by the Agreement. Without limiting the foregoing, the transfer of the Company's Cellular Interest and the transfer of the Company's DBS Interest, as contemplated in the Agreement, have been completed in compliance with all applicable contracts, agreements, statutes, law, ordinances, and regulations, and such transfers did not violate any rights of first refusal or other transfer restrictions arising under the terms of the agreements establishing and governing the Company's Cellular Interest or the Company's DBS Interest.

(f) Except as disclosed in the Agreement and the schedules attached thereto, there is no litigation, claim or proceeding, pending or threatened, against the Company or the Shareholders, or against any of their respective assets or properties, or relating to the ownership of the Haugen Shares, any or all of the KM Common Stock, and any or all of the UTI Common Stock or which questions the validity or enforceability of the Agreement, or which could prevent, hinder or delay consummation of the Agreement or any of the transactions contemplated thereby.

(g) To our knowledge, there is not pending any threatened or existing claim, unsatisfied judgment, litigation, governmental investigation or proceeding before any court, arbitrator or federal, state or other governmental commission, board or other agency by or against the Company or the Shareholders or adversely affecting the operations or financial condition of the Company or its business, property, prospects or assets.

(h) To our knowledge, the Shareholders and the Company have given all notices to and have obtained from all local, state and federal regulatory authorities any

and all approvals, consents, permits and authorizations required in order to consummate the transactions contemplated in the Agreement.

(i) Upon completion of the transactions contemplated by the Agreement, no corporation, partnership, joint venture, organization, entity, authority or natural person, or any heirs, successors, representatives or assigns thereof, other than MJD, shall have any ownership or other right in and/or to the Haugen Shares or any of the KM Common Stock, or the UTI Common Stock (except the proportionate rights of any minority shareholders of Union in the KM or UTI Common Stock owned by Union).

The opinions expressed herein are solely for your benefit in connection with the Agreement and, without our express written consent, neither our opinions nor this opinion letter may be assigned, quoted or relied upon for any other purpose. No other person or entity may rely upon or claim reliance upon this opinion, and it is not to be quoted in whole or in part or otherwise referred to by any governmental agency or other person or entity without prior written consent of this firm.

Finally, the opinions expressed herein represent our reasonable judgment as to the matters of law addressed herein, based upon the facts presented or assumed, and are not, and should not be construed or considered as, a guaranty.

Sincerely,

DAVENPORT, EVANS, HURWITZ &
SMITH, L.L.P.

DLK:kjh

RECEIVED

JAN 12 1999

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

UNION

DISCLOSURE SCHEDULES

SCHEDULE 4.5

Director's Qualifying Shares

There are two (2) directors' qualifying shares of Union Stock authorized of which 2 are issued and outstanding and held of record by Mildred E. Armentrout and JoAnn Harden. Ms. Armentrout and Ms. Harden have executed assignments in blank.

SCHEDULE 4.6

Union Financial Statements

Audited consolidated financial statements for the year ending December 31, 1997, audited financial statements for the year ending December 31, 1996 and interim financial statements for the period ending June 30, 1996 have been previously provided to Buyer.

SCHEDULE 4.7

Material Changes

- (a) Changes in the financial condition, assets, liabilities or operations of Union other than in the ordinary course of business.

Assets:

- (1) Sale of all properties, assets, privileges, powers, rights, interests and claims of every type and description that were owned, leased, held or used by Union in connection with the DIRECTV distribution business ("DBS Business") to Pegasus Communications Corporation pursuant to an Asset Purchase Agreement dated November 9, 1998 ("Union DBS Sale")
- (2) Sale of 11.25% limited partnership interest in Sioux Falls Cellular Limited Partnership and 36,982.5 shares of capital stock of Dakota Systems, Inc. to CommNet Cellular Inc. and Cellular Inc. Network Corporation pursuant to a Partnership Interest and Stock Purchase Agreement dated August 26, 1998 ("Union Sioux Falls Cellular Sale").
- (3) Sale of 65,536 shares of capital stock of Eastern South Dakota Cellular, Inc. to Cellular Inc. Network Corporation and CommNet Cellular Inc. pursuant to a Stock Purchase Agreement dated August 26, 1998 ("Union ESD Cellular Sale").

Operations:

- (4) Conversion to equal access for Union for both intraLATA and interLATA on July 15, 1998.
- (g) Any material transaction entered into by Union other than in the ordinary course of business or any transaction or series of related transactions in the ordinary course of business (including a capital expenditure) in excess of \$25,000:
- (1) See Union DBS Sale described in (a) above.
 - (2) See Union Sioux Falls Cellular Sale described in (a) above.
 - (3) See Union ESD Cellular Sale described in (a) above.
 - (4) The sale of Union to MJD contemplated by the Stock Purchase Agreement has resulted in a series of transactions totalling in excess of \$25,000 attributable to payments to TELECOM Consulting Resources, Inc., Baird Holm Law Firm, Moss & Barnett Law Firm, Davenport & Evans Law Firm and James Lanham & Associates.
 - (5) Union has expended approximately \$8,447.52 relating to the conversion to equal access for both intraLATA and interLATA attributable to Mid-America Computer Corp.

- (6) Debt service payments to the RTFC for approximately \$153,911.26 for SD 600-A-01/600L1A and SD 600-E-03 and interest on an advance drawn on the RTFC SD 600S01 credit line which Union loaned to Armour Independent Telephone Co. ("Armour") to fund Armour's cellular purchase.
- (7) Sales tax remittance in the amount of \$39,827.61 payable to the South Dakota State Treasurer.
- (8) Payment to the IRS in the amount of \$75,000 for quarterly tax estimates.
- (9) Payment of gross receipts tax in the amount of \$56,805.
- (10) Union loaned Armour approximately \$211,000; \$65,000 in January 1998 and \$146,000 in June 1998. Union drew the \$65,000 advance from its RTFC SD 600S01 revolving line of credit. Armour repaid the advance in full in April 1998.
- (11) Advances made to Bridgewater-Cankota Independent Telephone Co. ("Bridgewater") in September of 1998 in the amount of \$60,000 to fund operational shortfalls.
- (12) Union received payment in the amount of \$50,000 for the sale of a personal dwelling to William G. and Marilyn M. Haugen pursuant to a Warranty Deed dated July 2, 1998.
- (13) Union received a 1997 tax refund in the amount of \$102,443.00.
- (14) KIM Satellite Services, Inc. expended approximately \$121,244.11 for its programming wholesale bill which related to the operation of the former DBS business.

SCHEDULE 4.9

Litigation

Union is one of the plaintiffs in Dakota Systems, Inc., et al. v. CommNet Cellular Inc., et al., Civil Action No. 97-1550, in the Circuit Court, County of Minnehaha, South Dakota relating to the Sioux Falls Cellular Limited Partnership ("Sioux Falls"). However, as a condition to Union's sale of its 11.25% limited partnership interest in Sioux Falls and its 36,962.5 shares of Dakota System, Inc. under the Partnership Interest and Stock Purchase Agreement (the "Purchase Agreement") dated August 26, 1998, the parties to the above-referenced civil action entered into a Settlement Agreement, Mutual Release and Covenant Not to Sue dated December 2, 1998.

The transaction closed December 2, 1998. The FCC granted the necessary approvals on November 19, 1998. The plaintiff filed a dismissal on December 3, 1998.

SCHEDULE 4.11

Employee Benefit Plans

- (1) Union became an employer in the Norwest Bank Defined Contribution Prototype Plan through Adoption Agreement #003 dated December 11, 1991. Under this Agreement, Union makes a standardized profit sharing plan available to all Union employees ("Benefit Plan"). Union may contribute up to fifteen percent (15%) of gross.
- (2) Union provides its employees single coverage under a group health plan administered by American Medical Security of Green Bay, Wisconsin through the Benefit Plan described above. Union is responsible for employee premiums up to \$2,000/year. The employee is responsible for premiums in excess of \$2,000/year. Currently, no covered employee exceeds \$2,000/year. Employees are also responsible for premiums for family coverage.
- (3) Each participant in the group health plan described in (2) above, is provided a \$15,000 term life insurance policy. Information describing the group health plan and the term life insurance policy is attached as Exhibit 1.
- (4) With the exception of Richard and Loretta Freemark, each employee receives two (2) weeks of paid personal time off each year. Richard and Loretta Freemark receive four (4) weeks of paid personal time off each year. Unused personal time does not carry over to the next year. This benefit is not governed by a written policy.
- (5) Each employee is awarded a holiday bonus during December of each year. The amount of the bonus varies from year to year and from employee to employee, but is usually between \$150 to \$1,000.

MEDICAL SECURITY

If you are having trouble with your
coverage, call our customer service
team at (800) 555-1234 ext 12320
14530 ADM1 000

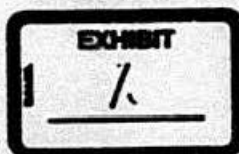
Group #: 1400-001363

Billing for August: 1992
Billed date 07 09 92
Date Due 08 01 92

Employee Name	Medical	Drug			
FREEMARK, LORETTA M			12 000	2 22	
FREEMARK, RICHARD T	Family 357.36 CLASSIC 900 DED 80%-2500	Family 57.66	12 000	2 22	422
GARNER, ROBIN R	Employee Only 109.62 CLASSIC 900 DED 80%-2500	Employee Only 14.41	12 000	4 52	121
HAUGEN, WILLIAM G	Employee Only 87.68 CLASSIC 900 DED 80%-2500	Employee Only 14.41	12 000	4 52	104
HEIMAN, RICHARD L *	Employee Only 54.10 CLASSIC 900 DED 80%-2500	Employee Only 9.61	12 000	3 75	71
JOHNSON, DEBRA R	Employee Only 131.34 CLASSIC 900 DED 80%-2500	Employee Only 19.22	12 000	5 25	156
PAYER, THOMAS *	Employee Only 87.68 CLASSIC 900 DED 80%-2500	Employee Only 14.41	12 000	4 50	106
REGAS, FRANK R **	Employee Only 87.68 CLASSIC 900 DED 80%-2500	Employee Only 14.41	12 000	4 50	106
SCHULTE, RAY L	Employee Only 147.98 CLASSIC 900 DED 80%-2500	Employee Only 24.02	12 000	7 50	179
SLATER, RANDALL J	Employee Only 87.68 CLASSIC 900 DED 80%-2500	Employee Only 14.41	12 000	4 50	106
WATTERS, RYAN D *	Employee Only 54.10 CLASSIC 900 DED 80%-2500	Employee Only 9.61	12 000	3 75	71
AL 90	Employee Only 75.47 CLASSIC 900 DED 80%-2500	Employee Only 9.61	12 000	3 75	80

ARRIVAL 106.60 + 1.81^{AC} = 108.41
BCIT 231.75 + 3.62^{AC} = 235.37
UNION 1099.74 + 14.57^{AC} = 1114.31

Rick's Family # 109.62



Current Billing \$ 1,247
Administrative Fee \$ 30
TOTAL AMOUNT DUE \$ 1,267

* Armour and Bridgewater employees. Thomas Payer is the only Armour employee
** Frank Regas is no longer an employee of Union.

CERTIFICATE OF GROUP INSURANCE

Employer/Certificateholder: UNION TELEPHONE CO
Client No.: 1400-001363
Employee/Insured Person:
Employee/Insured No.:

This certificate is not the contract for group insurance. The contract is the Master Policy, identified in the schedule of benefits. The certificate describes the principal provisions of the Policy. The benefits described in the certificate are subject to the terms of the Policy. The benefits are provided only while insurance is in force for You according to the terms of the Policy.

The Policy is available for inspection at the office of the Policyholder or at the office of the Insurance Company, during their normal business hours.

This certificate replaces all certificates that may have been previously issued to You under the Policy.

It is important that You understand the coverages being provided to You. Please read the certificate in its entirety.

IMPORTANT NOTICE CONCERNING STATEMENTS IN THE ENROLLMENT FORM (OR APPLICATION FORM) FOR YOUR INSURANCE

Please read the copy of the enrollment form (or application form) attached to your certificate. Omissions or misstatements in the form could cause an otherwise valid claim to be denied. Carefully check the form and write to American Medical Security within 10 days if any information shown on the form is not correct and complete or if any requested medical history has not been included. The insurance coverage was issued on the basis that the answers to all questions and any other material information shown on the form are correct and complete.

UNITED WISCONSIN LIFE INSURANCE COMPANY

Milwaukee, Wisconsin



President

CERTIFICATE OF GROUP INSURANCE

Master Policy No: CM 1000

Policyholder: Trustee of American Medical Security Trust

Employer: UNION TELEPHONE CO

Client No: 1400-001363

Employee/Certificateholder:

Employee/Certificateholder No

Effective Dates:

06/01/91 Employee Life Insurance
01/01/91 Employee Accidental Death and Dismemberment Insurance
06/03/98 Employee and All Dependents Medical Insurance
06/03/98 Employee and All Dependents Prescription Drug Insurance

SCHEDULE OF BENEFITS

EMPLOYEE TERM LIFE INSURANCE.....	\$15,000.00
EMPLOYEE ACCIDENTAL DEATH AND DISMEMBERMENT INSURANCE.....	\$15,000.00

At Employee age 70, Term Life Insurance reduces to 25% of above amount and Accidental Death and Dismemberment Insurance terminates, unless the Employer is subject to comply with the Federal Age Discrimination in Employment Act.

RD CIG002001 RD0021141 RD0133141 RD0273001 RD0027001 RD0107001
RD0012001

PRECERTIFICATION PENALTY - SEE RIDER

YOUR FAILURE TO PRECERTIFY ANY OF THE FOLLOWING SERVICES MAY RESULT IN A PENALTY: INPATIENT HOSPITAL ADMISSION; OUTPATIENT SURGERY; MRI; CAT SCAN; ANY INVASIVE DIAGNOSTIC PROCEDURE. THE PENALTY APPLIES FOR SERVICES RENDERED BY ANY HOSPITAL, DOCTOR, OR OTHER HEALTH CARE PROVIDER. THIS PENALTY DOES NOT APPLY TO SATISFY ANY OUT-OF-POCKET EXPENSE LIMIT.

PRECERTIFICATION PENALTY.....10% OF ELIGIBLE CHARGES TO
A MAXIMUM OF \$1000 PER
CONFINEMENT OR OCCURRENCE
INCLUDING ANY RELATED TREATMENT
SERVICES OR SUPPLIES

COMPREHENSIVE MAJOR MEDICAL INSURANCE

Individual Calendar Year Deductible.....\$500

Family Deductible Limit.....2 individual deductibles

Coinurance Payable by Policy.....80% of next \$2,500 after
deductible and then 100%
to end of calendar year

Out-of-Pocket Expense Limit-Per Person..\$1,000 per calendar year

-Per Family..\$2,000 per calendar year

Lifetime Maximum per Person.....\$2,500,000 while insured
by the Policy

Psychiatric Care Benefit:

Inpatient.....80% after deductible up
to \$2,500 benefit per
calendar year

Outpatient.....50% after deductible up
to \$30 benefit per day
and up to \$500 benefit
per calendar year

Lifetime Maximum per Person.....\$10,000 while insured
by the Policy

(Psychiatric Care expenses not covered above do not apply to
satisfy Your Comprehensive Major Medical coinsurance.)

Convalescent Care Facility Benefit.....30 days per calendar
year

Home Health Care Benefit.....20 visits per calendar
year

Hospice Care Benefit.....see certificate

PRE-EXISTING CONDITION LIMITATION

BENEFITS FOR MEDICAL INSURANCE, AND FOR EMPLOYEE WEEKLY INCOME

INSURANCE IF INCLUDED IN THE CERTIFICATE OR POLICY, ARE LIMITED FOR ANY PRE-EXISTING CONDITION THAT EXISTED DURING THE 12 MONTHS PRIOR TO THE INSURED PERSON'S EFFECTIVE DATE. COVERAGE IS NOT PROVIDED FOR ANY PRE-EXISTING CONDITION UNTIL AFTER THE PERSON HAS BEEN:

1. CONTINUOUSLY INSURED FOR 12 MONTHS UNDER THIS POLICY WITHOUT MEDICAL ATTENTION FOR THE CONDITION; OR
2. CONTINUOUSLY INSURED FOR 18 MONTHS UNDER THIS POLICY.

THIS LIMITATION DOES NOT APPLY TO A NEWBORN CHILD WHO IS INSURED ON DATE OF BIRTH.

MAXIMUM ALLOWABLE CHARGE

THE MAXIMUM ALLOWABLE CHARGE FOR MEDICAL, HOSPITAL, AND FOR DENTAL BENEFITS IF INCLUDED, IS THE PORTION OF ANY CHARGE FOR SERVICES OR SUPPLIES WHICH DOES NOT EXCEED AN AMOUNT DETERMINED BY US.

000. U. S. 455-1-0

PRESCRIPTION DRUG BENEFIT

NOTE: Your drug Deductible/Copay amount does not apply to satisfy any Out-of-Pocket Limit for Your covered medical expenses.

Each prescription or refill obtained at a pharmacy is covered for up to a maximum 34 day supply.

A separate Deductible/Copay applies for up to each 34 day supply.....\$5

Each prescription or refill obtained by mail is covered for up to a maximum 60 day supply.

A Separate Deductible/Copay applies for up to each 60 day supply.....\$7

Each prescription for a controlled substance, whether obtained at a pharmacy or by mail, is covered for up to a maximum 34 day supply.

SCHEDULE 4.14

Subsidiaries and Investments

- (1) Union owned an 11.25% limited partnership interest in the Sioux Falls Cellular Limited Partnership ("Sioux Falls MSA"). Union owned 36,962.5 shares of capital stock in Dakota Systems, Inc. which was the owner of a 4% general partner in Sioux Falls MSA. Therefore, Union was the owner of a 1% general partnership interest in Sioux Falls MSA.

However, pursuant to a Partnership Interest and Stock Purchase Agreement dated August 26, 1998, Union sold its 11.25% limited partnership interest in Sioux Falls MSA and its 36,962.5 shares of Dakota Systems, Inc.
- (2) Union owned 65,536 shares of capital stock in Eastern South Dakota Cellular, Inc. ("ESD Cellular"). As a result of Union's stock ownership in ESD Cellular, Union was the owner of a 6.71% limited partnership interest and a 1.34% general partnership interest in the South Dakota RSA 9 Limited Partnership ("RSA 9").

However, pursuant to a Stock Purchase Agreement dated August 26, 1998, Union sold its 65,536 shares of ESD Cellular.
- (3) The National Rural Telecommunications Cooperative ("NRTC") granted Union the right to distribute DIRECTV in certain service areas and Union conducted its DBS Business through its wholly-owned subsidiary K-M Satellite Services, Inc..

However, pursuant to an Asset Purchase Agreement dated November 9, 1998, Union sold all of its DBS assets to Pegasus Communications Corporation.
- (4) Union capitalized a wholly-owned subsidiary, Union TelNET, Inc. in 1997 to provide toll-free Internet access to Hartford, Armour, Bridgewater, Canistota and Sioux Falls. Union TelNET, Inc. currently has two two-year agreements for Internet access with Armour School and West Central School District 49-7 effective November 1, 1997.
- (5) Union also manages and operates a wholly-owned subsidiary, K-M Satellite Services, Inc. ("K-M Satellite"). K-M Satellite was originally established to provide satellite television services to the 57033 zip code for Hartford, South Dakota, as well as Minnehaha County, Kingsbury County and McCook County. Union conducted its DBS Business through K-M Satellite.

However, Union sold all of the DBS assets of K-M Satellite Services, Inc. pursuant to the Union DBS Sale described in Schedule 4.7(a) above.
- (6) Union owns 2,358 shares of Express Communication, Inc. ("Express") which gives Union a 2.104% interest in Express. Union, along with Armour, 28 other companies and 19 various subsidiaries formed Express (formerly "Independent Long Distance Company") on December 31, 1990 to offer interstate and intrastate toll services and calling cards. Union entered into an Operating Agreement with Express dated January 6, 1997. Union's interest in Express is subject to a Buy-Sell Agreement between all

Express shareholders dated January 6, 1991. Information relating to Express ownership is attached as Exhibit 1.

- (7) Union owns 449 shares of Hector Communications.
- (8) Union owns 12,658.2288 shares of Putnam High Yield Trust II Class B.
- (9) Union owns a \$101,437 debenture in the South Dakota Housing Authority with a 4.7% interest rate.
- (10) Union also owns a \$25,436.75 debenture in the South Dakota Housing Authority with a 4.8% interest rate.
- (11) \$25,000 per Hector Communications Convertible Subordinated Debenture with 8.5% annual interest and principal due February 15, 2002.
- (12) \$5,000 per United Homes, Inc. Debenture Dated November 25, 1997 with 11.0% annual interest and principal due March 15, 2005.
- (13) \$24,000 per Hilton Hotel Subordinated Notes with 5% annual interest and principal due May 15, 2006.
- (14) \$125,935 ML Capital Trust IV - 7.12% TOPRS Cumulative.
- (15) Union owns 200 shares of Armour preferred stock.

SCHEDULE 4.14 - EXHIBIT 1
EXPRESS SHAREHOLDER INFORMATION

<u>COMPANY</u>	<u>Total Shares</u>	<u>% Ownership</u>
Armour	2,057	1.835%
Beltic	2,475	2.208%
Bernsford	2,434	2.172%
Brookings	11,368	10.144%
CRST	3,080	2.748%
Faith	1,707	1.523%
Goldenwest Comm	8,990	8.022%
Golden West	14,227	12.895%
Hansen	1,998	1.783%
Interstate	8,563	7.641%
James Valley	4,057	3.620%
Jefferson	1,767	1.577%
Kennebec	1,875	1.495%
McCook	2,251	2.009%
Midstate	4,370	3.899%
Roberts County	1,606	1.435%
Sanborn	4,388	3.915%
Sioux Valley	7,180	6.416%
Split Rock	3,943	3.518%
Stockholm	1,504	1.342%
Sully Butte	8,196	5.529%
Tri County	1,819	1.623%
Union	2,358	2.104%
Valley	3,385	3.020%
Vivian	1,414	1.262%
West River	3,042	2.714%

EXHIBIT 1 - UNION SCHEDULE 4.14

West River Haven	1,914	1.708%
Weston	2,280	2.043%
TOTAL SDN	82,768	82.786%
TOTAL NON-SDN	18,314	17.234%
Voting Shares	784,680	
SHARES	112,070	100.000%

EXHIBIT 1 - UNION SCHEDULE 4.14

SCHEDULE 4.15**Insurance Policies**

Below is a description of the insurance policies currently maintained by Union, together with Armour, Bridgewater and WMW Cable TV Co. ("WMW Cable"). All of the following insurance policies are held with National Farmers Union Standard Insurance Company, 11900 East Cornell Avenue, Aurora, Colorado 80014-3194. Information describing the insurance policies describe below is attached as Exhibit 1.

POLICY	LIMITS	POLICY EXPIRATION
Rural Utilities Insurance Plan - General Liability 2RU0155902	products-comp/op agg: \$1,000,000 personal & adv injury: included each occurrence: \$1,000,000 fire damage (any one fire): \$ 50,000 medical exp (any 1 person): \$ 1,000	01/01/99
Automobile Liability 2RU0155902	combined single limit: \$1,000,000	01/01/99
Excess Liability 2CB0155903	each occurrence: \$5,000,000 aggregate: \$5,000,000	01/01/99
Workers Compensation and Employer's Liability 2WC0155904	each accident: \$ 100,000 disease-policy limit: \$ 500,000 disease - each employee: \$ 100,000	01/01/99
Other/Real and Personal Property 2RU0155902	all other peril: \$2,432,000	01/01/99
Directors, Officers and Manager Insurance and Company Reimbursement 2D00207113	each insured \$1,000,000 aggregate: \$1,000,000	01/01/99

BILLING NOTICE

Insured: UNION TELEPHONE COMPANY
116 N MAIN AVE
HARTFORD, SD 57033-2165

Customer ID: SD-8080258

Agent: SA039996
DONALD L FRITZ

Billing Date: NOV 25, 1997
Installment 001 of 001

PAYMENT DUE DATE: JAN 01, 1998

STATEMENT OF ACCOUNT		
POLICY NO.	TYPE OF POLICY	PREMIUM DUE
2800155902	RURAL UTILITIES INSURANCE PLAN	MINIMUM POLICY \$ 5,954.00
2800207113	DIRECTORS & OFFICERS LIABILITY	MINIMUM POLICY \$ 1,850.00
2800155903	UMBRELLA LIABILITY	MINIMUM POLICY \$ 2,360.00
2800155904	WORKERS COMPENSATION	MINIMUM POLICY \$ 8,060.00
	SOUTH DAKOTA WC POLICY FEE	\$ 14.00

ANNUAL PREMIUM	PROPERTY 1946	AUTO 1639	TOTAL AMOUNT DUE:	\$ 18,238.00
\$ 18,238.00	GEN LIAB 1639	CRIME 730		

PLEASE DETACH HERE AND RETURN WITH PAYMENT

Insured: UNION TELEPHONE COMPANY
116 N MAIN AVE
HARTFORD, SD 57033-2165

Customer ID: SD-8080258

Agent: SA039996
DONALD L FRITZ

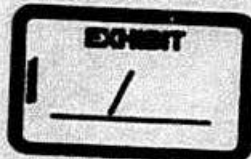
Billing Date: NOV 25, 1997
Installment 001 of 001

PAYMENT DUE DATE: JAN 01, 1998

TOTAL AMOUNT DUE: \$ 18,238.00

SEND PAYMENT TO:

NATIONAL FARMERS UNION PROPERTY AND CASUALTY COMPANIES
CORPORATE ACCOUNTS DIVISION
11900 EAST CORNELL AVENUE
DENVER, CO 80231-3194
97-11-2



PAYMENT COPY

CERTIFICATE OF INSURANCE

ISSUE DATE (MM/DD/YY): 11/21/1997 MAC

AGENT: 58037994

DOE FELT
5329 PITCHER DR.
STOCK FALLE

EO 57106

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

COMPANIES AFFORDING COVERAGE

INSURED: EO-0004254

UNION TELEPHONE COMPANY *

116 N MAIN AVE
BRISTOL

EO 57833-2165

COMPANY A	NATIONAL FARMERS UNION PROPERTY AND CASUALTY COMPANY
COMPANY B	NATIONAL FARMERS UNION STANDARD INSURANCE COMPANY
COMPANY C	

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PER INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CO. CODE	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
1	GENERAL LIABILITY	2000155903	01/01/1998	01/01/1999	GENERAL AGGREGATE \$
	☐ COMMERCIAL GENERAL LIABILITY				PRODUCTS - COMP/OP AGG \$ 1,000,000
	☐ CLAIMS MADE ☐ OCCURRENCE				PERSONAL & ADV INJURY \$ EXCLUDED
	☐ CONTRACTOR'S PROTECTIVE				EACH OCCURRENCE \$ 1,000,000
					FIRE SUPPLY (any one fire) \$ 50,000
					VED EXP (any one person) \$ 1,000
2	AUTOMOBILE LIABILITY	2000155903	01/01/1998	01/01/1999	COMBINED SINGLE LIMIT \$ 1,000,000
	☐ BICYCLE AUTO				BODILY INJURY (per person) \$
	☐ ALL OWNED AUTOS				BODILY INJURY (per accident) \$
	☐ SCHEDULED AUTOS				PROPERTY DAMAGE \$
	☐ RENTED AUTOS				
	☐ NON-OWNED AUTOS				
	BOATMAN LIABILITY				AUTO ONLY - EACH ACCIDENT \$
	☐ ANY AUTO				OTHER THAN AUTO ONLY: \$
					EACH ACCIDENT \$
					AGGREGATE \$
3	UMBRELLA LIABILITY	2000155903	01/01/1998	01/01/1999	EACH OCCURRENCE \$ 1,000,000
	☐ UMBRELLA FORM				AGGREGATE \$ 1,000,000
	☐ OTHER THAN UMBRELLA FORM				\$
4	WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY	2000155904	01/01/1998	01/01/1999	STATUTORY LIMITS
	☐ THE EMPLOYER/EMPLOYEE/EXECUTIVE OFFICERS ARE: ☐ INC. ☐ IND.				EACH ACCIDENT \$ 100,000
					DISEASE - POLICY LIMIT \$ 500,000
					DISEASE - EACH EMPLOYEE \$ 100,000
5	REAL AND PERSONAL PROPERTY	2000155903	01/01/1998	01/01/1999	ALL OTHER PERIL \$ 2,432,000

DESCRIPTION OF OPERATIONS/LOCATIONS/ VEHICLES/SPECIAL ITEMS:

INSURED EMPLOYEES ARE THE ARMOUR INDEPENDENT TELEPHONE CO. AND BRIDGEWATER-CHILISTOTA INDEPENDENT TELEPHONE CO. CERTIFICATE HOLDER IS AN ADDITIONAL INSURED.

CERTIFICATE HOLDER

UNION TELEPHONE FARMERS COOPERATIVE
ATTN LARRY ENGBLICK

2281 COOPERATIVE WAY
BRISTOL

VA 20171-3025

CANCELLATION:

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE 1 EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO MAIL DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT BUT FAIL TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UP THE COMPANY, ITS AGENTS OR REPRESENTATIVES.

ARMOUR *John A. Fusio*

*Union and Armour

CERTIFICATE OF INSURANCE

ISSUE DATE (MM/DD/YY): 11/21/1997 NJ

AGENT 58039996

JOHN FALLO
5129 WILLOWARD DR.
STOCK FALLS

SD 57186

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

COMPANIES AFFORDING COVERAGE

INSURED SD-5806254

UNION TELEPHONE COMPANY *

116 N MAIN AVE
WATFORD

SD 57623-2165

COMPANY A	NATIONAL FARMERS UNION PROPERTY AND CASUALTY COMPANY
COMPANY B	NATIONAL FARMERS UNION STANDARD INSURANCE COMPANY -
COMPANY C	

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN. THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CL. LINE	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
1	GENERAL LIABILITY	2000155902	01/01/1998	01/01/1999	GENERAL AGGREGATE \$
	2 COMMERCIAL GENERAL LIABILITY				PRODUCTS - COM/PRO AGG \$ 1,000,000
	☐ CLAIMS MADE ☒ OCCURRENCE				PERSONAL & ADV INJURY \$ EXCLUDED
	3 CONTRACTOR'S PROFESSIONAL				EACH OCCURRENCE \$ 1,000,000
					PLANS DRAWN (they own plans) \$ 50,000
					PER EMP (they own persons) \$ 1,000
2	RESIDENTIAL LIABILITY	2000155901	01/01/1998	01/01/1999	COMBINED SINGLE LIMIT \$ 1,000,000
	1 AUTO AUTO				SINGLELY EXCESS (per person) \$
	2 ALL OWNED AUTOS				SINGLELY EXCESS (per occurrence) \$
	3 RENTED AUTOS				PROPERTY DAMAGE \$
	4 OTHER OWNED AUTOS				
	5 PERSONAL LIABILITY				NEW ONLY - EACH ACCIDENT \$
	6 AUTO AUTO				OTHER THAN AUTO ONLY \$
					EACH ACCIDENT \$
					AGGREGATE \$
3	EXCESS LIABILITY	2000155903	01/01/1998	01/01/1999	EACH OCCURRENCE \$ 1,000,000
	1 UMBRELLA FORM				AGGREGATE \$ 1,000,000
	2 OTHER THAN UMBRELLA FORM				\$
4	WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY	2000155904	01/01/1998	01/01/1999	1 STATUTORY LIMITS
	THE EMPLOYER/EMPLOYEE/EXECUTIVE OFFICERS ARE: ☐ EXCL. ☒ ENCL.				EACH ACCIDENT \$ 100,000
					DISEASE - POLICY LIMIT \$ 500,000
					DISEASE - EACH EMPLOYEE \$ 100,000
5	OTHER REAL AND PERSONAL PROPERTY	2000155905	01/01/1998	01/01/1999	ALL OTHER PERIL \$ 2,432,000

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS:
JOHN DEERE 3160 BACKHOE

CERTIFICATE HOLDER

800 EQUIPMENT COMPANY

3801 N LOUISE AVE
STOCK FALLS

SD 57187-0164

CANCELLATION:

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL endeavor to MAIL DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER. FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND TO THE COMPANY, ITS AGENTS OR REPRESENTATIVES.

John A. Fusio

* Union

CERTIFICATE OF INSURANCE

ISSUE DATE (MM/DD/YY): 11/01/1997

AGENT: 58839994

DOE FULTZ
5329 PATTERSON DR.
STOCK FALLS

SD 57106

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

COMPANIES AFFORDING COVERAGE

INSURED: 58-0000258

WISN TELEPHONE COMPANY
900 CABLE T.V.
115 N MAIN AVE
BRIDGEMO

SD 57033-2163

COMPANY A	NATIONAL FARMERS UNION PROPERTY AND CASUALTY COMPANY
COMPANY B	NATIONAL FARMERS UNION STANDARD INSURANCE COMPANY
COMPANY C	

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
☒ GENERAL LIABILITY ☐ COMMERCIAL GENERAL LIABILITY ☐ CLAIMS MADE ☐ OCCURRENCE ☐ CONTRACTOR'S PROTECTIVE	2000155901	01/01/1998	01/01/1999	GENERAL AGGREGATE \$0 PRODUCTS - COMP/OP AGG \$0 1,000,000 PERSONAL & ADV INJURY \$0 EXCLUDED EACH OCCURRENCE \$0 1,000,000 FIRE DAMAGE (any one place) \$0 50,000 AUTO AND (any one person) \$0 1,000
☐ HOMEOWNERS LIABILITY ☐ EARTH QUAKE ☐ ALL OTHER AUTO ☐ UNINSURED MOTOR ☐ OTHER AUTO ☐ TRUCK-OWNED AUTO	2000155902	01/01/1998	01/01/1999	COVERED SINGLE LIMIT \$0 1,000,000 BODILY INJURY (per person) \$0 BODILY INJURY (per accident) \$0 PROPERTY DAMAGE \$0
☐ UMBRELLA LIABILITY ☐ EARTH QUAKE				AUTO ONLY - EACH ACCIDENT \$0 OTHER THAN AUTO ONLY \$0 EACH ACCIDENT \$0 AGGREGATE \$0
☐ UMBRELLA LIABILITY ☐ UMBRELLA FORM ☐ COVER THAN UMBRELLA FORM	2000155903	01/01/1998	01/01/1999	EACH OCCURRENCE \$0 1,000,000 AGGREGATE \$0 1,000,000
☐ WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY ☐ THE EMPLOYER/EMPLOYEE/EMPLOYEE'S BENEFIT	2000155904	01/01/1998	01/01/1999	STATUTORY LIMITS EACH ACCIDENT \$0 100,000 DISEASE - POLICY LIMIT \$0 500,000 DISEASE - EACH EMPLOYEE \$0 100,000
☐ OTHER ☐ REAL AND PERSONAL PROPERTY	2000155905	01/01/1998	01/01/1999	ALL OTHER PERIL \$0 1,432,000

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS:

CERTIFICATE HOLDER

WINNEBAGO COUNTY COURT HOUSE

415 N DAVOTA AVE
STOCK FALLS

SD 57102-0136

CANCELLATION:

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER. NAMED TO THE LEFT BUT FAULT TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY, ITS AGENTS OR REPRESENTATIVES.

John A. Fusio

* WSN Cable

CERTIFICATE OF INSURANCE

ISSUE DATE (MM/DD/YY): 11/21/1997

AGENT: SA839946
 DON PRITT
 5329 PULCHARD DR.
 STONE FALLS SC 27106

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

COMPANIES AFFORDING COVERAGE

INSURED: ED-8886254
 UNION TELEPHONE COMPANY
 114 W MAIN AVE
 HARTFORD SD 57633-2167

COMPANY A	NATIONAL FARMERS UNION PROPERTY AND CASUALTY CORP
COMPANY B	NATIONAL FARMERS UNION STANDARD INSURANCE COMPANY
COMPANY C	

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY # INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CL. CODE	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
1	GENERAL LIABILITY	2880153942	01/01/1998	01/01/1999	GENERAL AGGREGATE	\$
	1 COMMERCIAL GENERAL LIABILITY				PRODUCTS - COMP/OP AGG	\$ 1,000,000
	☐ CLAIMS MADE ☒ OCCURRENCE				PERSONAL & ADV INJURY	\$ EXCLUDED
	2 CONTRACTOR'S PROFESSIONAL				EACH OCCURRENCE	\$ 1,000,000
					FINE DAMAGE (they are listed)	\$ 50,000
					NON-EMP (they are listed)	\$ 1,000
2	AUTOMOBILE LIABILITY	2880153942	01/01/1998	01/01/1999	COMBINED SINGLE LIMIT	\$ 1,000,000
	ANY AUTO				BODILY INJURY (per person)	\$
	ALL OWNED AUTOS				BODILY INJURY (per accident)	\$
	LEASED AUTOS				PROPERTY DAMAGE	\$
	FINED AUTOS					
	NON-OWNED AUTOS					
3	UMBRELLA LIABILITY				AUTO ONLY - EACH ACCIDENT	\$
	ANY AUTO				OTHER THAN AUTO ONLY:	\$
					EACH ACCIDENT	\$
					AGGREGATE	\$
4	EXCESS LIABILITY	2880153943	01/01/1998	01/01/1999	EACH OCCURRENCE	\$ 5,000,000
	UMBRELLA FORM				AGGREGATE	\$ 1,000,000
	OTHER THAN UMBRELLA FORM					\$
5	EMPLOYER'S COMPENSATION AND EMPLOYERS' LIABILITY	2880153944	01/01/1998	01/01/1999	STATUTORY LIMITS	
	THE EMPLOYER'S/EMPLOYEE'S/EMPLOYEE'S OFFICERS ARE:				EACH ACCIDENT	\$ 100,000
	☐ INC. ☒ IND. ☐ ETC.				SICKNESS - POLICY LIMIT	\$ 500,000
					SICKNESS - EACH EMPLOYEE	\$ 100,000
6	OTHER REAL AND PERSONAL PROPERTY	2880153945	01/01/1998	01/01/1999	ALL OTHER PERIL	\$ 2,432,000

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS:

CERTIFICATE HOLDER

WHEELINGTON NORTHERN SANTA FE RAILROAD
 3000 CONTINENTAL I AVE
 722 MAIN STREET
 FT WORTH TX 76102

CANCELLATION:

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO MAIL DATED WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT BUT FA TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND TO THE COMPANY, ITS AGENTS OR REPRESENTATIVES.

John A. Fusio

* Bridgewater

Rural Utilities Insurance Plan
Declarations

Customer # BP-0000250	Policy # 2800157902	Policy Period FROM: 01/01/98 TO: 01/01/99 12:01 AM Standard Time at the address shown below.
Named Insured and Address: URSON TELEPHONE COMPANY 116 S MAIN AVE SWEETWOOD, CO 80033-2165		AGENT NUMBER: 04039996 PA: 52 PREMIUM: \$ 5,954
Insurance applies only to those coverages for which a limit of liability is shown and this company shall not be liable for more than the limit of liability specified for each coverage.		

PROPERTY AND RELATED COVERAGES

	LIMIT OF LIABILITY	--- PROPERTY DEDUCTIBLES ---
Real and Personal Property.....	\$ 2,432,000	\$ 500 Deductible Per Occurrence
Automatic Increase in Insurance..	3.0 Percent	
Personal Property of Others.....	\$ 50,000	

VALUE PROTECTION GROUP \$ 250,000 AGGREGATE LIMIT APPLIES TO ALL OF FOLLOWING:

Loss of Use.....	\$	Recently Acquired Property.....	\$
Accounts Receivable.....	\$	Property Off Premises.....	\$
Valuable Papers & Records..	\$	Electronic Data Processing..	\$

IF AN AMOUNT IS SHOWN AFTER A SPECIFIC COVERAGE, THAT AMOUNT WILL BE IN ADDITION TO THE VALUE PROTECTION GROUP AGGREGATE AMOUNT FOR THAT SPECIFIC COVERAGE.

LIABILITY AND RELATED COVERAGES

LIMIT OF LIABILITY

Bodily Injury, Property Damage,	
Personal Injury, and Advertising Injury.....	\$ 1,000,000 Per Occurrence
Products-Completed Operations Hazard.....	\$ 2,000,000 Aggregate Limit
Premises Medical Coverage.....	\$ 1,000 Each Person/\$10,000 Each Occurrence
Fire Legal Liability - Real Property.....	\$ 50,000 Each Occurrence
Telephone Directory Liability.....	\$ 1,000,000 Aggregate Limit
Broadcasters Liability.....	\$ 1,000,000 Aggregate Limit
Employee Benefits Liability.....	\$ 1,000,000 Aggregate Limit

AUTO COVERAGES

I. Auto Liability	LIMIT OF LIABILITY
Bodily Injury and Property Damage.....	\$ 1,000,000 Each Occurrence
Uninsured/Underinsured Motorist.....	\$ 1,000,000 Each Occurrence
Auto Medical Payments.....	\$ 1,000 Each Occurrence
II. Auto Physical Damage	
Comprehensive.....	Actual cash value less \$100 Deductible
Collision	Actual cash value less \$250 Deductible

CRIME COVERAGES

\$ 100,000 Limit of Liability per occurrence applies to the combined crime coverages below:

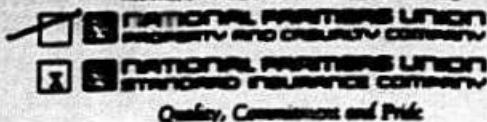
Employee Dishonesty	----- CRIME DEDUCTIBLES -----
Forgery or Alteration	\$250 Deductible per Occurrence
Theft, Disappearance, & Destruction	
Robbery and Safe Burglary	

POLICY FORMS/ENDORSEMENTS ATTACHED AT INCEPTION: BP-101(5/98), BP-114(5/98), BP-120(4/95), BP-207(10/96), BP-193(4/96), BP-208(10/96), BP-162(8/93), BP-103(1/92), BP-104(5/98), BP-110(4/96), BP-175(5/98), BP-121(4/95), BP-112(5/98), BP-100(5/98), BP-115(5/98), CA2141(5/97), SPEC END-1.

AUTHORIZED SIGNATURE
FORM BP-100(5/98)

Don F. [Signature]

DATE 11-29-97



11900 E. Cornell Avenue
 Denver, Colorado 80231
 (303) 337-5500

DIRECTORS, OFFICERS AND MANAGER INSURANCE AND COMPANY REIMBURSEMENT POLICY

***** DECLARATIONS *****

NOTICE: THIS IS A CLAIMS MADE POLICY

This policy applies only to Claims first made against a Director, Officer or Manager and reported to the insurer during the Policy Period. Defense Costs and other expenses are included in the Limit of Liability. This policy does not provide for any duty by the insurer to defend any Director, Officer or Manager.

The coverage afforded by this policy differs from that afforded by most other policies. PLEASE READ THE ENTIRE POLICY CAREFULLY!

ITEM 1. NAMED INSURED AND ADDRESS Union Telephone Company 116 W Main Ave Hartford, CT 06103-2165		Customer #: SD-8080258 Policy #: ZD00207113 Agent #: SA039996 P/A: 52
ITEM 2. POLICY PERIOD FROM: January 1, 1998 12:01 AM Standard Time at the address shown in ITEM 1.		TO: January 1, 1999
ITEM 3. LIMIT OF LIABILITY (including Defense Costs)	\$ 1,000,000	each insured and policy aggregate
ITEM 4. RETENTION	\$ 1,000	each Claim
ITEM 5. RETROACTIVE DATE:		
ITEM 6. PREMIUM	\$ 1,850	per annum
ITEM 7. DISCOVERY PERIOD PREMIUM (limited availability)	\$ 1,850	90 days other _____
ITEM 8. ENDORSEMENTS ATTACHED AT INCEPTION PG 579(1/95), PG 337(1/95), PG 440(1/95), Special Endorsement #1.		

11/21/97 lh

These Declarations, the attached policy and the endorsements listed above, together with the completed and signed Application, shall constitute the contract among the Directors, Officers, Manager, Company and the insurer.

 Authorized Representative

 Date

Request of Number 2WC0155904

Policy No. WC 2WC0155904
SD-0000258
SA035796

INFORMATION PAGE

COVERAGE IS PROVIDED BY THE COMPANY DESIGNATED BY AN IS

☐ NATIONAL PARTNERS UNION
PROPERTY AND CASUALTY COMPANY
Carrier No. 11843

☒ NATIONAL PARTNERS UNION
STANDARD INSURANCE COMPANY

Carrier No. 18813

11000 WEST CENTRAL AVENUE
MINNEAPOLIS, MINNESOTA 55424-2000
(612) 339-0000

PA 52

1. The insured's mailing address:
- Union Telephone Company
116 N Main Ave.
Hartford, SD 57033-2165

Other workplaces not shown above:

☐ Individual ☐ Partnership

☒ Corporation or _____

Insured's Identification No(s):

FEIN #: See Special

Endorsement #1

MSKID: 400211019

2. Policy Period: The policy period is from January 1, 1998 to January 1, 1999 12:01 A.M. Standard Time, at the insured's mailing address.

3. Coverage:

- A. Workers Compensation Insurance: Part One of the policy applies to the Workers Compensation Law of the states listed here: SOUTH DAKOTA

- B. Employers Liability Insurance: Part Two of the policy applies to work in each state listed in item 3.A. The limits of our liability under Part Two are:

Bodily Injury by Accident	\$ 100,000	each accident
Bodily Injury by Disease	\$ 500,000	policy limit
Bodily Injury by Disease	\$ 100,000	each employee

- C. Other States Insurance: Part Three of the policy applies to the states, if any, listed here: All states except Nevada, North Dakota, Ohio, Washington, West Virginia, Wyoming, states designated in item 3A.

- D. This policy includes these endorsements and schedules: WC174, WC 00 00 00 A, WC 00 04 03, WC 00 04 14, WC 10, WC 00 04 04, WC 00 04 06, WC 40 06 01, Special Endorsement #1.

4. Premium: The premium for this policy will be determined by our Manuals of Rules, Classifications, Rates and Rating Plans. All information required below is subject to verification and change by audit.

Classifications

Code
No.

Premium Basis
Total Estimated
Annual Remuneration

Rate Per
\$100 of
Remuneration

Estimated Annual
Premium

See Attached WC 174

Experience Rating Modification Factor	Schedule Rating File Yr	Premium Discount	Expense Constant	Other	Other
See Attached WC 174		\$			

Total Estimated
Annual Premium \$ 8,060
Deposit Premium \$ 8,060
Minimum Premium \$ 475
Monthly SD WC Ins. \$ 14
Policy Fee

☐ This is a Three Year Fixed Rate Policy

Premium Adjustment Period: ☒ Annual; ☐ Semiannual; ☐ Quarterly; ☐ Monthly

Countersigned
11/21/97 lh

By

Authorized Representative

THIS INFORMATION PAGE WITH THE WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY AND ENDORSEMENTS, IF ANY, ISSUED TO FORM A POLICY THEREOF, COMPLETES THE ABOVE WORKERS POLICY.

Copyright 1997 National Council on Compensation Insurance

WC 00 00 01A

**NATIONAL FARMERS UNION**
PROPERTY AND CASUALTY COMPANY**NATIONAL FARMERS UNION**
STANDARD INSURANCE COMPANY11900 East Cornell Avenue
Aurora, Colorado 80014-3194
(303) 337-5500**UMBRELLA POLICY**

DECLARATIONS

ITEM 1. NAME OF INSURED AND ADDRESS: Union Telephone Company 116 W Main Ave Hartford, SD 57033-2165		Customer # : SD-8080258 Policy # : 2CB0155903 Agent # : SA039996 P/A : 52	
ITEM 2. ADVANCE PREMIUM: \$ 2,360 Minimum Premium: \$ 1,500		payable per annum. in event of cancellation.	
ITEM 3. POLICY PERIOD: FROM: January 1, 1998 TO: January 1, 1999 12:01 AM Standard Time at the address shown in ITEM 1.			
ITEM 4. LIMIT OF INSURANCE: A. \$ 10,000 Self-Insured Retention. B. \$ 5,000,000 Each Occurrence & Policy Aggregate Limit where applicable.			
ITEM 5. SCHEDULE OF UNDERLYING INSURANCE:			
Type & Policy Number RUIP 2CB0155902 WORK COMP 2WC0155904	Underlying Insurer National Farmers Union Standard Insurance Company National Farmers Union Standard Insurance Company	Policy Period 1/1/98 to 1/1/99 1/1/98 to 1/1/99	Limit(s) of Insurance \$1,000,000 CHL GEN LIAB \$1,000,000 Prod-Comp Operations Aggregate \$1,000,000 CHL AUTO LIAB Employers Liability BI by Accident \$100,000 each Accident BI by Disease \$500,000 Policy Limit \$100,000 each Employee
ITEM 6. ENDORSEMENTS ATTACHED AT INCEPTION: PG 136(3/93), PG 441(3/93), Special Endorsement #1.			

11/21/97 1b

SCHEDULE 4.16**Employees and Employee Agreements****DIRECTORS**

Name	Compensation
William G. Haugen	No compensation
Marilyn M. Haugen	No compensation
William G. Haugen, Jr.	No compensation
Mildred Armentrout	No compensation
JoAnn Harden	No compensation

OFFICERS

Name	Office(s)	Compensation
William G. Haugen	President	•
William G. Haugen, Jr.	Vice President/General Manager	•
Marilyn M. Haugen	Secretary/Treasurer	•

EMPLOYEES

Name	Position	Compensation
William G. Haugen	President	[REDACTED]
William G. Haugen, Jr.	Vice President/General Manager	[REDACTED]
Marilyn M. Haugen	Secretary/Treasurer	[REDACTED]
Richard T. Freemark	Operations Manager	[REDACTED]
Loretta Freemark	Office Manager	[REDACTED]
Raymond Schulte	Outside Plant Superintendent	[REDACTED]
Randall Slater	Service Technician	[REDACTED]

William G. Haugen, Marilyn M. Haugen and William H. Haugen, Jr. are listed as employees on the payroll of Union and paid by Union as employees. Upon Closing, they will no longer be employees of Union. Their duties will be performed by MJD employees.

Glenn Warner	Account Maintenance and Customer Service Representative	[REDACTED]
Pamela Meland	Business Office Receptionist and Customer Service Representative	[REDACTED]
Lorelei Johnson	Clerical Assistant	[REDACTED]
Deborah Johnson	Account Maintenance and Customer Service Representative	[REDACTED]
Doug Leaver	Service Technician	[REDACTED]
Diane Robbins	Custodian	[REDACTED]
Robin Garner	Account Maintenance and Customer Service Representative	[REDACTED]

CONSULTANTS AND INDEPENDENT CONTRACTORS

(1) TELEC Consulting Resources, Inc.

- (a) Services. Union, together with Armour and Bridgewater, is a party to a Consulting Services Agreement with TELEC Consulting Resources, Inc. ("TELEC") dated January 1, 1998 to provide general telephone company consulting services. The Agreement is for an initial term of one year and it automatically renews for successive one-year terms unless written notice of nonrenewal is provided by either party sixty (60) days prior to expiration of the then current term.
- (b) Compensation. Union is required to pay a quarterly amount of \$5,416.67. An additional \$75.00/hour for services in excess of 400 hours a year and reimbursable expenses.

(2) Illuminet, Inc.

- (a) Services. Master Services Agreement between Illuminet, Inc. ("Illuminet") and Union dated January 17, 1998. The Agreement remains in effect until terminated by either party upon ninety (90) days prior written notice. Through Module 1 and Module 2 of the Master Services Agreement, Illuminet is obligated to provide Union with alternate billing services, a line information database along ("LIDB") along with LIDB services and independent calling card issuance services. Appendix A to Module 2 obligates Illuminet to develop card proofs from camera ready art supplied by Union. Both Module 1 and Module 2 are dated January 17, 1998. The initial term of each Module shall be until the June

30, 1998 and each shall then automatically renew for successive one-year terms starting on July 1, 1998 unless terminated upon ninety (90) days prior written notice or for default.

- (b) Compensation. With respect to compensation under this agreement, see copy of the agreement which has been previously provided.

(3) Mitel Corporation.

- (a) Services. Independent "Partners" Plan Agreement between Union and the Public Switching Division of Mitel Corporation ("Mitel") dated November 15, 1996. Although Armour and Bridgewater are not direct parties to this agreement, the Armour, Bridgewater and Canistota platforms are also covered; however, Armour and Bridgewater pay their respective share of the related costs directly to Mitel.

This agreement establishes a maintenance plan that provides for repair of hardware failures and enables Union to obtain all software upgrades and patches and provides for functionality for any and all new features or capabilities during the term of the agreement.

- (b) Compensation. During the initial term from January 1, 1997 to April 1, 1998, costs include \$20,483.87 for the Armour and Wall Lake platform and \$5,742.56 for the Bridgewater platform. The Hartford and Canistota platforms are covered under warranty through April 1, 1999 pursuant to a Public Switching Equipment Sales and Installation Agreement between Union and Mitel dated November 15, 1996. After the initial term, the annual costs for all five platforms will total \$26,928. Each company is obligated to pay for portions of the contract costs attributable to their respective switching platform(s).

(4) Freelance Generator Service.

- (a) Services. Generator Services Contract Agreement between Union and Freelance Generator Service ("Freelance") dated May 5, 1998 for an initial term of two years. The Agreement obligates Freelance to provide general maintenance services at least twice a year for generators located in Canistota, Bridgewater, Armour, Hartford and Wall Lake.

- (b) Compensation. Freelance provides service for all five generators at the annual service rate of \$1,245.00. Each company is obligated to pay for portions of the annual service fee attributable to their respective generator(s).

- (5) Mid-America Computer Corporation provides billing and collecting services to Union. There is no written agreement between the companies; services are provided on a month to month basis.

- (6) See Schedule 4.17(xiii) for a list of material contracts with other service providers.

SCHEDULE 4.17

Material Contracts

(i) Bonus, pension, profit sharing, retirement, stock option, employee stock purchase or other plans providing for deferred compensation;

- (1) See Schedule 4.11 for a description of the profit sharing plan available to Union employees.

(ii) Hospitalization insurance or other welfare benefit plans or practices;

- (1) See Schedule 4.11 for a description of the group health plan available to Union employees.

(iv) Loans to its employees, officers, directors or Affiliates;

- (1) Promissory Note dated May 8, 1986 evidencing \$300,000 loan Union made to Armour from its RTFC SD 600E03 loan to fund Armour's cellular purchase.
- (2) Union advanced Armour \$85,000 from its RTFC SD 600601 revolving credit line in January 1988 for expenses relating to Armour's sale of its interest in the ABS / MDS Joint Venture. Armour repaid the advance in full in April 1988.
- (3) Union advanced Armour \$146,000 in June 1988 to fund the FCC purchase requirement relating to the Armour LMDS Sale.
- (4) Union advanced Bridgewater \$80,000 in September 1988 to fund operational shortfalls.

(v) The borrowing or loaning of money to or from any person or the mortgaging, pledging or otherwise placing a lien on any asset of Union;

- (1) \$200,000 Revolving Line of Credit Application and Agreement (SD 600S01) between Union and the RTFC dated February 26, 1994.
- (2) Loan Agreement between Union and the RTFC dated December 8, 1994 for SD 600-A-01 for \$894,737.
- (3) Secured Promissory Note (SD 600-A-01) between Union and the RTFC for \$894,737 dated December 8, 1994.
- (4) Mortgage and Security Agreement between Union and the RTFC dated December 8, 1994 securing SD 600-A-01.
- (5) Loan Agreement between Union and the RTFC dated December 8, 1994 for SD 600-A-02 for \$105,263. Union has never drawn on this loan to date.

- (6) Secured Promissory Note (SD 600-A-02) between Union and the RTFC for \$105,263 dated December 8, 1994. Union has never drawn on this loan to date.
 - (7) Intermediate-Term Equipment Financing Loan Application and Agreement SD 600-E-03 between Union and the RTFC dated March 9, 1996 for \$315,789. Union loaned this money (\$300,000) to Armour on May 8, 1996 to fund Armour's cellular purchase.
- (xi) Prohibitions (other than applicable laws or regulations) preventing it from freely engaging in any business:
- (1) Pursuant to the Asset Purchase Agreement dated November 9, 1996 for the Union DBS Sale, Union entered into a Noncompete Agreement in which it agreed not to provide DIRECTV services for a period of eighteen months from the closing of the transaction (May 9, 2000).
- (xii) Employees, independent contractors, consultants, or other agents:
- (1) Consulting Services Agreement with TELEC Consulting Resources, Inc. dated January 1, 1998.
 - (2) Master Services Agreement with Illuminet, Inc. dated January 17, 1998.
 - (3) Reciprocal Transport and Termination Agreement with CommNet Cellular, Inc. dated December 16, 1997.
 - (4) Facilities Interconnection Agreement for Reciprocal Transport and Termination between Union, Armour, Bridgewater and CommNet Cellular, Inc. dated December 31, 1997.
 - (5) Telephone Directory Publishing Agreement between Union, Armour, Bridgewater and McLeod Publishing Company (Teleconnect) effective May 7, 1997.
 - (6) Public Switching Equipment Sales and Installation Agreement between Union and Mitel dated August 23, 1991 for the Wall Lake platform.
 - (7) Public Switching Equipment Sales and Installation Agreement between Union and Mitel dated November 15, 1995 for the Hartford, Armour and Bridgewater platforms and a Wall Lake F Link Upgrade.
 - (8) Administrative Operating Company (ACON) Services Agreement with Lockheed Martin IMS Corporation dated September 29, 1998.
 - (9) See list of contracts attached as Exhibit 1, copies of which have been previously provided.

(xiv) Sales, commissions, advertising or marketing; or

- (1) Marketing Agreement between Union and INAD, Inc. dated November 19, 1988 effective for six (6) months which obligates INAD to provide marketing and creative planning support for all creative categories and media. Under this agreement, Union, Armour, Bridgewater and WMV Cable split the \$7200 base fee.

UNION SCHEDULE 4.17 - EXHIBIT 1

U.S. WEST AGREEMENTS

- (1) Revenue Distribution Agreement for Feature Group "A" Switched Access Services dated October 1, 1990 ("Feature Group Distribution Agreement").
- (2) Exhibit A to Feature Group Distribution Agreement - Basis of Revenue Distribution for LATA-Wide Termination of Feature Group "A" Switched Access Services dated January 12, 1996.
- (3) Exhibit B to Feature Group Distribution Agreement - Basis of Revenue Distribution for Originating Feature Group "A" Switched Access Services in EAS Calling Area dated January 12, 1996.
- (4) Common Channel Signaling Network Interconnection Agreement for Private Switched Access Services dated October 2, 1997.
- (5) 800 Data Base Access Service Agreement for Switched Access Services dated August 11, 1993.
- (6) Local or Full Service Operator Services Agreement dated August 10, 1993.
- (7) Accounting Services Agreement (Agreement 5020 ASA) dated July 14, 1992.
- (8) Concurrence letter amending Accounting Services Agreement (Amendment 5020 ASA) dated April 12, 1993.
- (9) Exchange Carrier Maintenance Services Agreement dated March 22, 1995.
- (10) Agreement for the Provision of Access Billing Service Under the Single Bill Multiple Tariff Meet Point Billing Option (Single Check) dated March 3, 1997.
- (11) Confidentiality and Non-Disclosure Agreement Setting Forth Principles of Negotiations dated June 3, 1997.
- (12) Publishing Agreement for Independent Telephone Companies Official Listings/Directories dated October 5, 1995.
- (13) Extended Area Services Agreement effective May 25, 1989.
- (14) Extended Area Services Directory Listing Agreement dated March 16, 1989.
- (15) CustomNet Service Agreement Attachments dated May 2, 1988 amending the Directory, Local Operator and Associated Agreement effective June 1, 1985.
- (16) Directory, Local Operator and Associated Agreement effective June 1, 1985.
- (17) Exchange Carrier Listing Information Agreement dated November 1, 1989.

AT&T CONTRACTS

- (1) Article 1 Umbrella Policy (General Provisions).
- (2) Article 37 Telecommunications Services and Facilities Agreement.

INDEPENDENT NECA SERVICE (INS) CONTRACTS

- (1) INS - AT&T Article 8-2 Billing and Collection Agreement dated August 27, 1992.
- (2) INS - AT&T Amendment No. Three (3) to Article 8-1 effective March 1, 1990.
- (3) INS - MCI Agency Agreement for Billing, Collection and Recording Services effective September 22, 1996 (includes Telecom*USA). Cancellation confirmation letter sent by INS November 4, 1998 effective September 21, 1999.
- (4) INS - Sprint Agency Agreement for Billing and Collection Services effective February 1, 1996 for a period of five (5) years with automatic one-year renewals. Cancellation confirmation letter sent by INS October 30, 1998 with effective date of February 1, 1999.
- (5) INS - MCI Agency Agreement Addendum for Billing and Collection and 900 Recording Services effective June 10, 1990. Cancellation confirmation letter sent by INS November 4, 1998 effective September 21, 1999.
- (6) INS - Alternative Operator Services Agency Authorization dated December 1, 1987. Cancellation confirmation letter sent by INS October 30, 1998 with effective date of February 1, 1999.

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC. ("NECA")

- (1) Agreement for the Distribution of Interstate Access Revenues with NECA dated May 25, 1984.
- (2) Agreement for the Distribution of Interstate Access Revenues (Average Schedule Companies) with NECA effective October 1, 1985.

SCHEDULE 4.19

Description of Real and Personal Property

(a) & (b) Owned and Leased Property:

- (1) The East 100 feet of the west one hundred-forty (140) feet of the South sixty (60) feet of the north three hundred-nine (309) feet of the W½ of the NW¼ of Section 22, Township 101 North, Range 51 West of the 5th P.M., Minnehaha County, South Dakota, according to the recorded plat thereof. (Wall Lake Central Office)
- (2) The West 10 feet of the North 26 feet of Lot 18 in Block 9 Hartford City, Minnehaha County, South Dakota, according to the recorded plat thereof. (Large Cable Appearance Point)
- (3) The South 58 feet of Lot 4 in Block 8 of Drakes Addition to Hartford, Minnehaha County, South Dakota, according to the recorded plat thereof. (Warehouse)
- (4) Lot 8 in Block 9 Hartford City, Minnehaha County, South Dakota, according to the recorded plat thereof. (Hartford Central Office and Part of the Business Office)
- (5) Lot 9 Block 9 of the Original Town of Hartford, Minnehaha County, South Dakota, according to the recorded plat thereof. (Hartford Business Office)
- (6) Lot 5 in Block 8 of Drakes Addition to Hartford, Minnehaha County, South Dakota, according to the recorded plat thereof. (Warehouse)
- (7) The commercial structure and property commonly known and described as 108 North Main Avenue, Hartford, South Dakota, located upon Lots 4 and 5 in Block 9 of Hartford, Minnehaha County, South Dakota, according to the recorded plat thereof, is leased by Union from William G. Haugen, Jr. pursuant to a Lease Agreement dated November 1, 1997. (William G. Haugen, Jr.'s Office)
- (8) Twenty-eight by Fifty-five foot (28' x 55') parcel located upon Lot 5 in Block 6 of Hartford, Minnehaha County, South Dakota, according to the recorded plat thereof, leased by WMW Cable from Union pursuant to a Lease Agreement dated July 28, 1983. (Headend Location)
- (9) Warranty Deed conveying the West 72 Feet of Lot 9, the West 54 Feet of Lot 10, the East 18 Feet of the North 56 Feet of the West 72 Feet of Lot 10, the West 54 Feet of Lot 11 in Block 4 of Hartford, Minnehaha County, South Dakota from Union to William G. Haugen and Marilyn M. Haugen dated July 2, 1998. (Haugen Personal Residence)
- (9) Union also owns certain personal property, which property is described on the lists attached as Exhibit 1 and Exhibit 2.

- UNION- 0. 4 0-1-3
- (e) See Schedule 4.7(a) for description of the Union DBS Sale, Union Sioux Falls Cellular Sale and the ESD Cellular Sale which have occurred since December 31, 1997.

SCHEDULE 4.19 PROPERTY - EXHIBIT 1

Union Personal Property*

Vehicles/Equipment

<u>Description</u>	<u>Quantity</u>
'84 Dodge Dakota SLT	3
'88 Dodge Dakota SLT (leased)	3
'89 Chevy C50 2 1/2 ton truck	1
'83 Case Maxx Sneaker	1
'85 Ditch Witch 40-10	1
'72 Ditch Witch R40 (presently resides at Armour)	1
'10kW portable Onan generator	1
Sutai portable air compressor	1

Central Office Furniture/Equipment

<u>Description</u>	<u>Quantity</u>
Sony diceman	1
Desks	11
Desk chairs	4
Swivel chairs	15
Stationary chairs	7
Two drawer filing cabinet	2
Large wooden storage cabinet	4
Small wooden storage cabinet	3
GX 6750 Brother typewriter	1
AX 350 Brother typewriter	1
Twenty-seven drawer file	1
Eight drawer file	1
Six drawer file	1
Five drawer file	1
Four drawer file	7
Bookcases	7
Metal storage cabinets	4
Conference table	1
Two door ar-1s	1
Adding machines	5
Advanced Fiber Communications spare 120 line shelf	1

- * This list does not include those items which are excluded under Exhibit B attached to the Stock Purchase Agreement.

Fluke multi-meter	1
Panasonic laptop data terminal	1
Spare Mitel 200 amp powerboard with 2 Lorain A50B50 high frequency rectifiers	1

Computer and Peripheral Equipment

<u>Description</u>	<u>Quantity</u>
Compaq Prosignia VS 1G hard drive (network server)	1
486 Digital DECpc LP + 433SX with monitor	1
486 Digital Ventures 486	1
486 Compaq Deskpro 486 with monitor	3
486 Compaq Contura Aero 4/33c	1
486 Compaq Contura Aero 4/33c with docking station and Sony monitor	1
Pentium HP Vectra VL with monitor	1
Pentium Gateway 3000 PS-166XL with monitor	1
386 Computer Dimensions with monitor	1
HP Desk Jet 820 CSE	1
HP Laser Jet 5	1
HP Laser Jet 4p	1
Canon FAX - B380 1F	1
Canon NP 2020 copier	1
AT&T Partner Plus telephone system with 15 extension phones	1
Paper shredder	1

Union TelNET Internet Equipment In Use at Hartford

<u>Description</u>	<u>Quantity</u>
Adtran TSU	2
Adtran 56/64 DSU	4
3Com Linkbuilder FMS2 (Ethernet)	1
Case/Datsal DCP358TICSU Plus	1
Livingston Portmaster 2E	1
Bay Networks Router	1
US Robotics Courier 36.6 modem	16
US Robotics Courier 56K modem	3

**Union TelNET Internet Equipment
In Use at Armour**

<u>Description</u>	<u>Quantity</u>
Adtran 58/64 DSU	1
3Com Superstack II (Ethernet)	1
Livingston Portmaster 2E	1
Bay Networks AE1001006 Router	1
US Robotics Courier 36.6/28.8 modem	13

1/78

General Ledger Date: 12/31/97

CPM (COI) MATRIN Record File by SETTLEMENT CODE

Company: UNION TELEPHONE CO.
Exchange: MATRIN

Page 2

6 - COE CAT 1 LOCAL SWITCHING

Item# / IN CD MFC	CPM Description	Account	Location Description	M/U	QTY	Service Date	Class Date	Work Order
12846	MT DMI DATABAS 2181 STANDALONE HA	22120010		M	1	5/97	5/97	1597-00101
12874	MT DISTRO CALIBRET ISOLATION SIT	22120010		M	2	5/97	5/97	1597-00101
12859	MT REDUNDANT POWER CONV (18/70 MI)	22120010		M	1	5/97	5/97	1597-00101
12157	MT MAID DISE MODULE	22120010		M	1	5/97	5/97	1597-00101
12864	MT DISTRO MAIR CONTROLLER	22120010		M	1	5/97	5/97	1597-00101
12880	MT CIRCUIT SWITCH MATRIN II	22120010		M	1	5/97	5/97	1597-00101
12812	MT MEDICAL SWITCH CONTROLLER	22120010		M	1	5/97	5/97	1597-00101
12875	MT FAN FILTER	22120010		M	1	5/97	5/97	1597-00101
12841	MT SIMPLA PATTY LINE	22120010		M	2	5/97	5/97	1597-00101
12819	MT UNIVERSAL LINE CAB	22120010		M	1	5/97	5/97	1597-00101
12832	MT COIR CONTROL MODULE	22120010		M	1	5/97	5/97	1597-00101
12810	MT DB-1 FLOWMETER	22120010		M	2	5/97	5/97	1597-00101
12842	MT T1 CCB1 A-LINE	22120010		M	1	5/97	5/97	1597-00101
12150	MT T1 CCB1 F-LINE	22120010		M	1	5/97	5/97	1597-00101
12800	MT MODCON 110V V-11 DABIT NO	22120010		M	1	5/97	5/97	1597-00101
12801	MT DATA CONTROLLER 1000 110V	22120010		M	1	5/97	5/97	1597-00101
12150	MT FIBER OPTIC CABLE	22120010		M	2	5/97	5/97	1597-00101
12800	MT FIBER OPTICAL ISOLATOR - FO113H	22120010		M	2	5/97	5/97	1597-00101
12800	MT FIBER OPTICAL ISOLATOR	22120010		M	2	5/97	5/97	1597-00101
12150	MT LAB 5415 01400 816 (16/800)	22120010		M	2	5/97	5/97	1597-00101
12150	MT AUTOMATIC LINE TESTER T-5/2X HA	22120010		M	1	5/97	5/97	1597-00101
12150	MT DELAY UNIT - FOR T-5/2X	22120010		M	1	5/97	5/97	1597-00101
12172	MT VOICE MAIL STATION - 40 PORTS 10 MB	22120010		M	1	5/97	5/97	1597-00101
12172	MT VOICE MAIL REDUNDANT STORAGE	22120010		M	1	5/97	5/97	1597-00101
12814	MT CLASS FEATURE PACKAGES 1 (16/1)	22120010		M	1	7/97	7/97	1597-00102

Total for Settlement Code 12.00

12 - COE CAT 1.12 REDUNDANT LINE CRT

922	TL FIBERDAS - MODULAS 88, REDUNDANT, 07W	22120010		M	1	1/98	1/98	1597-00001
924	TL FIBERDAS - REDUNDANT ALARM STATION	22120010		M	1	1/98	1/98	1597-00001
910	TL FIBERDAS - MODULAS 38 AND	22120010		M	1	1/98	1/98	1597-00001
929	TL FIBERDAS - MODULAS INTERVAL TIMES	22120010		M	1	1/98	1/98	1597-00001
929	TL FIBERDAS - MODULAS LINE CAB	22120010		M	20	1/98	1/98	1597-00001
920	MT ADC CROSS CONNECT PANEL	22120010		M	2	1/98	1/98	1597-00001
920	MT 17T-7T CHANISER - 07W TERN BUILT	22120010		M	2	1/98	1/98	1597-00001
922	MT 17T-7T CHANISER - 07W LINE POWER	22120010		M	2	1/98	1/98	1597-00001
922	MT 17T-7T CHANISER - C-6, REDUNDANT	22120010		M	2	1/98	1/98	1597-00001
920	MT 17T-7T CHANISER - ALARM 18	22120010		M	5	1/98	1/98	1597-00001
920	MT 17T-7T CHANISER - ARE 44A 07W	22120010		M	2	1/98	1/98	1597-00001
920	MT 17T-7T CHANISER - ARE 47B 07W	22120010		M	2	1/98	1/98	1597-00001
910	MT REDUNDANT MOD LM CHANISER - SPLIT	22120010		M	2	1/98	1/98	1597-00001
911	MT REDUNDANT MOD LM CHANISER - ARE CTR	22120010		M	2	1/98	1/98	1597-00001

General Ledger Date: 12/31/97

CPN (COS) MATTER RECORDED FILE BY ATTORNEY COS
Company: UNION TELEPHONE CO.
Exchange: MATTHEW

Page 1

Account / PN CD / MFG	CNA Description	Account	Location Description	M/U	Qty	Induservice Date	Class Date	Mail Order
1 - COS CAT 4.13 SIGNAGE LINE CRT								
983 MS	ATSC - LOOP SIGNAGE SHEL	22120028		M	16	1/92	1/92	1992-00017
986 MS	ATSC - LOOP SIGNAGE CABO	22120028		M	120	1/92	1/92	1992-00017
2032 MS	17" - CANADA PROT SHEL	22120028		M	2	1/92	1/92	1992-00015
2034 MS	17" - CANADA - LA SEPARAT	22120028		M	16	1/92	1/92	1992-00015
2033 MS	17" - CANADA PROT SWITCH	22120028		M	4	1/92	1/92	1992-00015
971 MS	RELINACE SUB LA CANADA -	22120028		M	10	1/92	1/92	1992-00015
2122 MS	ALCATEL 7.3 2125 DIRECT B7R	22120028		M	1	1/92	1/92	1992-00015
2051 TC	TELCO CIRCUIT CABO	22120028		M	2	1/92	1/92	1992-00015
2051 TC	TELCO CIRCUIT CABO	22120028		M	2	1/92	1/92	1992-00015
2051 TC	TELCO CIRCUIT CABO	22120028		M	2	1/92	1/92	1992-00015
2051 TC	TELCO CIRCUIT CABO	22120028		M	2	1/92	1/92	1992-00015

Total for Settlement Code 10.11

[illegible]

LINE	CD	HL	CPN Description	Account	Location Description	R/U	Qty	Inventory Date	Class Date	Mark Order
* COS CAT 6.21 IS CRT ALL OTHERS										
2112	NO		Breakout Sam - Black Sam test set	22120010			1	12/96	12/96	1994-00000
2113	MT		BO-1 CABLE - 300'	22120010			1	5/97	5/97	1997-00101
2116	MT		BO-1 CABLE R/W BICO, LOCKE 6 & 7 PINS	22120010			30	5/97	5/97	1997-00101
2119	NO		BLACK TRAIL TEST SET MODEL 91A	22120010			1			

2010 THE NEW YORK PUBLIC LIBRARY, ASTOR LENOX AND TILDEN FOUNDATIONS

0 - END CAT 0.22 IS 71000 CRT

[illegible]

Form for Reclamation Code 18.21

[illegible]

1861 for Settlement Code 14.28

10 • CDS REVIEW

2165	6	LOCAL 600 WA JEWETT	22120010		1/00	0989 0000
2097	67	WALF BLVD GUN CLO	22120010		1/00	
1177	67	60-THOUS	22120010		1/00	

1/00	1/00	1/00
1/00	1/00	1/00
1/00	1/00	1/00

CIN (CIN) MATRIS Record File by SETTLEMENT CODE

Company: UNION TELEPHONE CO.
Exchange: BULL LANE

Account	Location Description	M/U	Qty	Invoice Date	Class Date	Bank Order
12001	OUTSIDE CABINET					
12002	64 5000 EXPANSION CABINET			6/92	6/92	1992-00001
12003	SMALL PAIR UPGRADE KIT		1	6/92	6/92	1992-00001
12004	SMALL PAIR FILLER		1	6/92	6/92	1992-00001
12005	REDUNDANT POWER CONVERTER		1	6/92	6/92	1992-00001
12006	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12007	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12008	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12009	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12010	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12011	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12012	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12013	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12014	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12015	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12016	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12017	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12018	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12019	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12020	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12021	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12022	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12023	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12024	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12025	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12026	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12027	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12028	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12029	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12030	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12031	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12032	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12033	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12034	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12035	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12036	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12037	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12038	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12039	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12040	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12041	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12042	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12043	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12044	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12045	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12046	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12047	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12048	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12049	WALL MOUNTED POWER		1	6/92	6/92	1992-00001
12050	WALL MOUNTED POWER		1	6/92	6/92	1992-00001

SCHEDULE 4.20

Taxes

Although Union has not currently requested an extension of time within which to file any Federal Income Tax Return, as a matter of course, Union extends beyond the April 15 filing deadline to file its Federal Income Tax Returns.

SCHEDULE 4.22

Environmental Matters

(b) Environmental matters concerning real property used, owned or leased by Union.

- (i) Union uses and/or stores certain materials, some of which may be deemed to be Hazardous Materials, in the ordinary course of business. The materials are used in de minimis quantities typical for business activities of the nature and scope conducted by Union in the ordinary course of business, and are consumed in the course of use.

Well Lake has one (1) above-ground propane tank.

In 1992, Ash Battery Systems ("Ash") of Omaha, Nebraska replaced the existing Hartford battery string due to use and purchased a new string for Well Lake. Ash provided removal and disposal services for existing battery string as part of the purchase.

SCHEDULE 4.23

Affiliate Transactions

List all written contracts between Union and any one or more of the Affiliates.

- (1) Administrative Services Agreement between Union and Armour dated January 1, 1990.
- (2) Preferred Stock Purchase Agreement between Union and Armour dated June 13, 1996.
- (3) Administrative Services Agreement between Union and Bridgewater dated July 1, 1996.
- (4) Administrative Services Agreement between Union and WMW Cable dated May 1, 1993.
- (5) Lease Agreement between Union and WMW Cable for a Twenty-eight by Fifty-five foot (28' x 55') parcel located upon Lot 5 in Block 6 of Hartford, Minnehaha County, South Dakota, according to the recorded plat thereof, dated July 28, 1993.
- (6) Space and Power Lease Agreement between Union and WMW Cable dated January 1, 1994.
- (7) Lease Agreement between Union and William G. Haugen, Jr. for the commercial structure and property commonly known and described as 108 North Main Avenue, Hartford, South Dakota, located upon Lots 4 and 5 in Block 9 of Hartford, Minnehaha County, South Dakota, according to the recorded plat thereof, dated November 1, 1997.
- (8) Stock Purchase Agreement between Union, K-G Construction, Inc. and KM Satellite Services, Inc. dated February 14, 1997.
- (9) Promissory Note dated May 8, 1996 evidencing [REDACTED] loan Union made to Armour from its RTFC SD 600E03 loan to fund Armour's cellular purchase.
- (10) Union advanced Armour \$85,000 from its RTFC SD 600S01 revolving credit line in January 1996 for expenses relating to Armour's sale of its interest in the ABS LMDS Joint Venture. Armour repaid the advance in full in April 1996. [Documentation in minutes]
- (12) Union advanced Armour [REDACTED] in June 1996 to fund the FCC purchase requirement relating to the Armour LMDS Sale. [Documentation in minutes]
- (13) Union advanced Bridgewater \$60,000 in September 1996 to fund operational shortfalls. [Documentation in minutes]
- (14) Warranty Deed conveying the West 72 Feet of Lot 9, the West 54 Feet of Lot 10, the East 18 Feet of the North 56 Feet of the West 72 Feet of Lot 10, the West 54 Feet of Lot 11 in Block 4 of Hartford, Minnehaha County, South Dakota from Union to William G. Haugen and Marilyn M. Haugen dated July 2, 1996. (Haugen Personal Residence)

SCHEDULE 4.25

Permits and Reports

- (1) SDPUC Order designating Union as an Eligible Telecommunications Carrier (TC97-115).
- (2) FCC Public Notice Self-Certification as Rural Telephone Company (DA 97 1748) released August 14, 1997 and corrected September 22, 1997.
- (3) Acceptance and Agreement of Rural Telephone Finance Cooperative of Union's capitalization of the wholly-owned subsidiary Union TelNET, Inc. dated February 24, 1998.
- (4) FCC Radio Station License (Call sign: WNRI372; File number: 951R33216) for IB Business issued January 23, 1995 and expiring on February 05, 2000.
- (5) Utility Permit (Permit No. 942102) issued September 28, 1994 by the South Dakota Department of Transportation for the installation of telephone facilities within the highway right-of-way of South Dakota Highway Number 42 in Minnehaha County, South Dakota.
- (6) Ordinance No. 341 Telephone Franchise granting Union the right to operate a telephone system within the City of Hartford, South Dakota adopted June 27, 1997.
- (7) Notice of Designated Agent in Washington, D.C. for purposes of filings with the F.C.C. dated March 13, 1998 appointing Lukas, Nace, Gutierrez & Sachs.
- (8) Certificate of Authority issued from the South Dakota Public Utilities.

Telecommunications Providers in Union Exchange Boundaries

A list of all telecommunications providers as referred to in Section 4.25(iii) within the Union exchange boundaries is attached as Exhibit 1.

EXHIBIT 1 - UNION SCHEDULE 4.25

- (1) Western Wireless owns the A (Non-Wireline) license for Sioux Falls MSA and operates under the Cellular One brand.
- (2) Sioux Falls Cellular Limited Partnership is the licensee partnership holding the B (Wireline) license for Sioux Falls MSA. CommNet Cellular, Inc. is the managing partner of the partnership.
- (3) Western Wireless owns the A (Non-Wireline) license for SD RSA 9 and operates under the Cellular One brand.
- (4) Eastern South Dakota Cellular of South Dakota Limited Partnership is the licensee partnership holding the B (Wireline) license for SD RSA 9. CommNet Cellular, Inc. is the manager of the partnership.
- (5) Sprint Telecommunications received the A block PCS license for the Minneapolis - St. Paul MTA. Sprint has partitioned 10MHz to Brookings Municipal Utilities in South Dakota. Brookings operating under the name Swiftel is building a PCS system in Westtown, Brookings and Sioux Falls. They expect to be operational in 1999.
- (6) A joint venture of Rural Cellular Corp and Aerial Communications is providing PCS service in Sioux Falls under the UniCel Brand. I do not know which license they are using.
- (7) American Portable Telecommunications received the B block PCS license for the Minneapolis - St. Paul MTA.
- (8) The FCC holds the C Block PCS license for the Sioux Falls BTA.
- (9) Western PCS received the D Block PCS license for the Sioux Falls BTA.
- (10) McLeod, Inc. received the E Block PCS license for the Sioux Falls BTA.
- (11) Northeast Nebraska received the F Block PCS license for the Sioux Falls BTA.
- (12) ABS LMDS Joint Venture received the A Block LMDS license for the Sioux Falls BTA.
- (13) iclipse Communications Corp received the B Block LMDS license for the Sioux Falls BTA.
- (14) Motorola Iridium satellite network would be capable of providing service in the Union area when functional.

SCHEDULE 4.28

Liabilities

None.

SCHEDULE 5.0

Exceptions to Covenants

- (1) Immediately prior to Closing, Mildred Armentrout and JoAnn Harden will each transfer their respective director qualifying share to William G. Haugen, Jr. At Closing, therefore, neither Mildred Armentrout nor JoAnn Harden will be shareholders of Union.
- (2) Subsequent to signing the Stock Purchase Agreement, the Shareholders will file any mutually agreed upon amendments to the Articles of Incorporation of Union with the South Dakota Secretary of State.

RECEIVED

JAN 12 1999

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

**ARMOUR INDEPENDENT TELEPHONE CO.
STOCK PURCHASE AGREEMENT**

EXHIBITS

Exhibit A	List of Shareholders
Exhibit B	List of Excluded Assets
Exhibit C	Form of Transition Services Agreement
Exhibit D	Form of Noncompetition Agreement
Exhibit E	Opinion of Buyer's Counsel
Exhibit F	Opinion of the Shareholders', Armour's and Bridgewater's Counsel

SCHEDULES

Schedule 4.6	.....	Armour Financial Statements
Schedule 4.7	.....	Material Changes
Schedule 4.9	.....	Litigation
Schedule 4.11	.....	Employee Benefit Plans
Schedule 4.14	.....	Subsidiaries and Investments
Schedule 4.15	.....	Insurance Policies
Schedule 4.16	.....	Employees and Employment Agreements
Schedule 4.17	.....	Material Contracts
Schedule 4.19	.....	Description of Real and Personal Property Owned or Leased
Schedule 4.22	.....	Environmental Matters
Schedule 4.23	.....	Affiliate Transactions
Schedule 4.25	.....	Permits and Reports
Schedule 4.26	.....	Liabilities
Schedule 5.0	.....	Exceptions to Covenants

This Stock Purchase Agreement (the "Agreement") is made as of December 24th, 1998, among MJD Services Corp., a Delaware corporation (the "Buyer"); Armour Independent Telephone Co., a South Dakota corporation ("Armour"); Bridgewater-Cankinota Independent Telephone Co., a South Dakota corporation ("Bridgewater"); and William G. Haugen, Sr., Marilyn M. Haugen, and William G. Haugen, Jr., individuals and the holders of all of the outstanding stock of Armour (collectively, the "Shareholders").

WHEREAS, the Shareholders own 100 percent of the issued and outstanding shares of the common stock of Armour (the "Armour Stock"), with the number of shares and percentages set forth on Exhibit A hereto; and

WHEREAS, Armour is the beneficial owner of 100 percent of Bridgewater's issued and outstanding common stock; and

WHEREAS, Buyer desires to purchase the Armour Stock from the Shareholders, and the Shareholders desire to sell the Armour Stock to Buyer upon terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

Article 1 AGREEMENT TO PURCHASE AND SELL

1.1 **Purchase and Sale.** At Closing (as defined below), Buyer shall purchase the Armour Stock from the Shareholders, and the Shareholders shall sell the Armour Stock to Buyer. The conveyance of the Armour Stock shall be made by the Shareholders to Buyer free and clear of all options, liens, claims, restrictions and encumbrances of any nature whatsoever (collectively, "Liens"). Exhibit B to this Agreement sets forth a list of assets to be sold by Armour or distributed to the Shareholders prior to Closing, and excluded from the assets to be owned by Armour as of the Closing Date. The parties hereto acknowledge, without way of limiting the foregoing, that Armour shall sell, prior to the Closing, all of its 16.57% partnership interest in the South Dakota RSA 7 Limited Partnership (the "Cellular Interest"), and shall sell, transfer or otherwise divest itself of all of its interest or assets held pursuant to that certain joint venture known as the ABS LMDS Joint Venture (the "LMDS Interest"), and that the Shareholders shall assume any and all liabilities arising from the ownership of the Cellular Interest or the LMDS Interest, both prior to and subsequent to the Closing, as well as those liabilities resulting from the transfer of the Cellular Interest or the LMDS Interest, and shall indemnify Buyer with respect to such liabilities, as provided in Section 6.1(e) hereof.

1.2 **Closing.** The consummation of the transactions contemplated herein (the "Closing") shall take place at the offices of Union Telephone Company, 116 North Main Avenue, Hartford, South Dakota, at 10:00 a.m. local time, on the first business day of the calendar month, immediately following the calendar month in which all required regulatory approvals, notices and consents have been given and obtained, so long as such day is at least ten (10) calendar days after receipt of such regulatory approvals, or at such other time and place as Buyer and the Shareholders may mutually agree (the "Closing Date").

1.3 **Shareholders' Representative.** William G. Haugen, Jr. shall be the "Shareholders' Representative" or, in the event of his death or inability to so act, William G. Haugen, Sr. shall be the Shareholders' Representative. The Shareholders, by execution of this Agreement, authorize the Shareholders' Representative to take such action on their behalf as the Shareholders' Representative is herein authorized to take or as such Shareholders' Representative may deem necessary or advisable in order to carry out the purposes and intents of this Agreement.

Article 2 PURCHASE PRICE

2.1 **Purchase Price.** (a) Buyer shall purchase the Armour Stock from the Shareholders for an aggregate purchase price of [REDACTED] (the "Base Purchase Price"), plus the "Increase in Stockholders' Equity" as defined in accordance with Section 2.1(b) below, which amount shall be payable in accordance with this Article 2.

(b) The Base Purchase Price shall be adjusted by adding to it the "Increase in Stockholders' Equity", determined as follows:

(i) Buyer and the Shareholders acknowledge that as of December 31, 1997, Armour's balance sheet reflected total stockholders' equity of [REDACTED]. The "Increase in Stockholders' Equity" shall be determined by:

(i) Subtracting the total Stockholders' Equity as of December 31, 1997 [REDACTED] from the Total Stockholders' Equity of Armour (on a consolidated basis) as of the Closing Date, and

(ii) Adding Armour's investment in the Cellular Interest as reflected on the December 31, 1997, balance sheet, which is [REDACTED]

(ii) The sum of the Base Purchase Price and the Increase in Stockholders' Equity as determined above, shall be referred to herein as

the Adjusted Purchase Price. The Adjusted Purchase Price shall be based on an estimated closing balance sheet of Armour prepared in good faith by the Armour accountants/consultants, subject to Buyer's review and approval thereof, which shall not be unreasonably withheld.

2.2 Closing Date Payment and Receipt of Shares. On the Closing Date, (i) the Shareholders will assign and transfer to Buyer good and valid title in and to the Armour Stock, free and clear of all Liens, by delivering to Buyer stock certificates representing the Armour Stock, duly endorsed for transfer or accompanied by duly executed stock powers endorsed in blank with requisite stock transfer tax stamps, if any, attached; (ii) Buyer shall, by wire transfer of same-day funds, pay to the Shareholders in accordance with the percentage interests shown on Exhibit A attached hereto (the "Percentage Interests") the amount of the Adjusted Purchase Price, as determined in accordance with Section 2.1 above; (the "Closing Payment"); and (iii) the parties shall deliver to each other the documents required under this Agreement to be delivered at or prior to the Closing.

2.3 Post-Closing Adjustments to the Purchase Price. The Closing Payment payable by Buyer to the Shareholders on the Closing Date pursuant to Section 2.2 hereof may be adjusted as follows. Within ninety (90) days after the Closing Date, Buyer and the Shareholders shall prepare a closing balance sheet for Armour as of the close of business on the Closing Date (the "Closing Balance Sheet"), which shall be mutually acceptable to the Shareholders and Buyer and their respective independent public accountants. The Closing Balance Sheet shall be prepared in accordance with GAAP and consistent with Armour's past practices. The amount of the Adjusted Purchase Price shall be increased or decreased, as the case may be, by the difference, if any, between the Adjusted Purchase Price determined in good faith as of the Closing Date and the Adjusted Purchase Price as such is determined based on the Closing Balance Sheet. If, as a result of the foregoing adjustment, the Adjusted Purchase Price is increased, Buyer shall pay the Shareholders, in accordance with their Percentage Interests, the amount of such increase by wire transfer of same-day funds within ten (10) business days of the date on which the parties agree on the Closing Balance Sheet. If, as a result of the post-closing adjustment, the Purchase Price is decreased, the Shareholders shall refund to Buyer, in accordance with their Percentage Interests, the amount of such decrease by wire transfer of same-day funds within ten (10) business days of the date on which the parties agree on the Closing Balance Sheet.

Article 3

REPRESENTATIONS AND WARRANTIES OF BUYER

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

3.1 Organization of Buyer. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware with full corporate power and authority to carry on the business in which it is engaged, to own, lease and operate its properties and to enter into and perform its obligations under this Agreement.

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

3.3 Regulatory Approvals. At Closing, Buyer shall have given all notices to and have obtained from all local, state and federal regulatory authorities any approvals, consents, permits and authorizations required in order to consummate the transactions contemplated in accordance with this Agreement, all as more particularly provided in Section 7.1 hereof.

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

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

Article 4
REPRESENTATIONS AND WARRANTIES OF ARMOUR, BRIDGEWATER
AND THE SHAREHOLDERS

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

4.1 Organization and Qualification of Armour and Bridgewater. Armour is a corporation duly incorporated, validly existing and in good standing under the laws of the State of South Dakota with full corporate power and authority to carry on the business in which it is presently engaged and to own, lease and operate its properties and to perform its obligations hereunder. The Shareholders are residents of the State of South Dakota. Armour is the owner of 100 percent of the issued and outstanding capital stock of Bridgewater, except for directors' qualifying shares (all of which shall be assigned at Closing, without additional consideration, to one or more directors nominated by Buyer).

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

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

4.3 Regulatory Approvals. At Closing, Armour and Bridgewater shall have given all notices to and have obtained from all local, state and federal regulatory authorities any approvals, consents, permits and authorizations required in order to consummate the transactions contemplated in accordance with this Agreement, all as more particularly provided in Section 7.1 hereof.

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

have executed this Agreement on behalf of Armour, Bridgwater, and/or the Shareholders have been duly authorized to do so by all necessary action of Armour, Bridgwater, and its Shareholders.

4.5 Capital Stock of Armour and Bridgwater.

(a) The authorized capital stock of Armour consists of [redacted] shares of [redacted] par value common stock and [redacted] shares of preferred stock with a par value of [redacted] per share. The Shareholders are the beneficial owners of all of the Armour Stock, which constitutes 100 percent of Armour's issued and outstanding common stock (other than directors' qualifying shares). Directors' qualifying shares of Armour Stock which are issued and outstanding are set forth on Schedule 4.5. Two hundred (200) shares of preferred stock are issued and outstanding, and except as set forth on Schedule 4.5, are owned of record, free and clear of all Liens, by Union Telephone Company, a South Dakota corporation. All of the issued and outstanding shares of the Armour Stock are duly and validly issued and outstanding, are fully paid and nonassessable, were issued in compliance with all state and federal laws and are held by the Shareholders. The delivery by the Shareholders to Buyer of a certificate or certificates representing the Armour Stock, as provided in Section 10.5 of this Agreement, will pass good and marketable title to the Armour Stock to Buyer free and clear of all Liens. There are no outstanding warrants, options, rights, calls or other contract, terms of any nature, relating to the Armour Stock, and there are no outstanding promises or debt obligations of any kind convertible into shares of capital stock of Armour. None of the issued and outstanding shares of capital stock of Armour was issued in violation of preemptive rights, or to the extent any shares were issued in violation of preemptive rights, such rights have been waived.

(b) The authorized capital stock of Bridgwater consists of [redacted] shares of common stock, [redacted] per share par value. Armour is the beneficial owner of 100 percent of Bridgwater's issued and outstanding common stock (other than directors' qualifying shares) (the "Bridgwater Stock"). There are 10,000 shares of Bridgwater Stock issued and outstanding. All of the issued and outstanding [redacted] shares of the Bridgwater Stock are duly and validly issued and outstanding, are fully paid and nonassessable, were issued in compliance with all state and federal laws and are held by Armour. The purchase by Buyer of the Armour Stock pursuant to the terms of this Agreement will pass good and marketable title to the Bridgwater Stock to Buyer, free and clear of all Liens. There are no outstanding warrants, options, rights, calls or other commitments of any nature relating to the Bridgwater Stock, and there are no outstanding securities or debt obligations of any kind convertible into shares of capital stock of Bridgwater. None of the issued and outstanding shares of capital stock of Bridgwater was issued in violation of preemptive rights, or to the extent any shares were issued in violation of preemptive rights, such rights have been waived.

4.6 Financial Statements of Armour. Armour has delivered to Buyer copies of the audited consolidated financial statements of Armour for the years ended December 31, 1987 and 1986 (the "Armour Financial Statements"), which are true and correct in all material respects and set forth all known liabilities, whether

contingent or otherwise, accurately and fully as of the dates thereof. Copies of the Armour Financial Statements are contained in Schedule 4.6. The Armour Financial Statements were prepared in accordance with generally accepted accounting principles applied on a consistent basis and fairly present the financial condition of Armour as of their respective dates and the results of operations of Armour for the periods ended December 31, 1997, and December 31, 1996, respectively. Armour and Bridgewater will supply to Buyer any and all interim financial statements of Armour and Bridgewater as shall be available, including, without limitation, those for the 12-month period ending December 31, 1998 (the "Interim Financial Statements"). The Interim Financial Statements shall be prepared in accordance with generally accepted accounting principles applied on a consistent basis, subject to customary year-end adjustments, and shall present fairly the financial condition of Armour and Bridgewater for the period(s) covered thereby.

4.7 Absence of Material Changes. Since December 31, 1997, except as disclosed on Schedule 4.7, and excluding Armour's cellular and LMDS businesses, Armour and Bridgewater have each operated its business in the ordinary course and there has not been:

(a) Any change in the financial condition, assets, liabilities or operations of Armour or Bridgewater other than changes in the ordinary course of business, none of which has individually or in the aggregate been materially adverse to the financial condition, properties, assets, liabilities or operations of Armour or Bridgewater, respectively;

(b) Any damage, destruction or loss, whether or not covered by insurance, resulting in a material adverse effect on the properties, operations or financial condition of Armour or Bridgewater;

(c) Any issuance or sale or agreement to issue or sell any stock, bonds, notes or other corporate securities or long-term debt of Armour or Bridgewater;

(d) Any granting of options, warrants or other rights calling for the issuance of stock or other corporate securities of Armour or Bridgewater;

(e) Any merger or consolidation involving Armour or Bridgewater or any agreement to merge or consolidate with any other corporation; or any acquisition of or agreement to acquire any stock or substantially all of the assets of any business of any person, firm, association, partnership, corporation or other business entity or organization;

(f) Any dispute or any event or condition of any character that materially and adversely affects, or could be reasonably expected to materially and adversely affect, the business or property of Armour or Bridgewater;

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(g) Any material transaction entered into by Armour or Bridgewater other than in the ordinary course of business or any transaction or series of related transactions in the ordinary course of business (including a capital expenditure) in excess of \$25,000;

(h) Any material change in the accounting methods or practices of Armour or Bridgewater or any material change in depreciation or amortization or rates theretofore adopted by Armour or Bridgewater, except for those changes affecting the telephone industry generally;

(i) Any payment of a dividend or payment in the form of a distribution to the Shareholders or any member of their family; or

(j) Any agreement or commitment by Armour or Bridgewater (or any understanding between Armour or Bridgewater and any third party) to do or to take any of the actions referred to in paragraphs (a) through (j) of this Section 4.7.

4.8 Indebtedness. All of the indebtedness of Armour and Bridgewater is accurately reflected on the Armour Financial Statements, except for: (i) accounts payable incurred in the ordinary course of business since December 31, 1997, and (ii) changes reflecting payments made by Armour or Bridgewater of its long-term indebtedness, all of which shall be accurately reflected on the Interim Financial Statements. Neither Armour nor Bridgewater are in default with respect to any material indebtedness or in the performance, observance or fulfillment of any material covenant or condition relating thereto, and no event has occurred and is continuing that would constitute such a default or event of default with the giving of notice or lapse of time or both.

4.9 Litigation and Claims. Except as disclosed on Schedule 4.9, there are no judgments unsatisfied against Armour or Bridgewater or against the Armour Stock or Bridgewater Stock or the Shareholders, or consent decrees or injunctions to which Armour or Bridgewater or the Armour Stock or Bridgewater Stock or the Shareholders are subject, and there is no litigation, claim or proceeding pending, or to the knowledge of the Shareholders, Armour or Bridgewater threatened, against or relating to Armour or Bridgewater or against the Armour Stock or Bridgewater Stock or the Shareholders or the properties or businesses of Armour or Bridgewater, nor do the Shareholders, Armour or Bridgewater know or have reasonable grounds to know of any basis for any such action or of any governmental investigation relating to the Shareholders, Armour or Bridgewater or the properties or operations of Armour or Bridgewater.

4.10 Compliance With Laws. Armour and Bridgewater have each complied in all material respects with all laws, regulations and orders applicable to it or its businesses and has obtained all governmental permits, licenses, franchises or the like

required in order to conduct its business, and the present uses of its properties and the conduct of its businesses do not violate in any material respect any law, regulation, ordinance or order. Neither Armour, Bridgewater nor the Shareholders have received any notice or warning from any governmental authority with respect to any failure or alleged failure of Armour, Bridgewater or any of the Shareholders to comply with any applicable law, regulation or order and, to the best knowledge of Armour, Bridgewater and the Shareholders, no such notice or warning has been proposed or threatened.

4.11 **Benefit Plans.** All employee benefit plans to which Armour or Bridgewater pays benefits or premiums on behalf of its employees are listed on Schedule 4.11 (the "Plans"). Except as disclosed on Schedule 4.11, Armour and Bridgewater do not have in effect and have not agreed to institute any bonus, deferred compensation, pension, profit sharing, retirement, stock options, employee stock ownership, group insurance, death benefit, welfare or other fringe benefit plan, trust agreement or arrangement, nor is Armour or Bridgewater paying or obligated to pay any bonus, deferred compensation, pension, profit sharing, severance, retirement allowance or other fringe benefit to any party whatsoever. All Plans comply in all material respects with all applicable laws, regulations or orders, are fully funded and no circumstances exist with respect to the Plans which could reasonably be expected to have a material adverse effect on the properties or operations of Armour or Bridgewater.

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

4.13 **Books and Records.** The books, stock record books, minute books and other corporate records of Armour and Bridgewater are true and correct in all material respects and have been maintained in accordance with ordinary business practices and applicable law. The minute books of Armour and Bridgewater as made available to

Buyer and its representatives contain accurate and complete records of all meetings of and corporate actions or written consents by the shareholders and the board of directors of Armour and Bridgewater, and all issuances, redemptions, transfers and cancellations of capital stock of each. True and correct copies of the foregoing have been made available to Buyer.

4.14 Subsidiaries and Investments. Except for Bridgewater and except as disclosed on Schedule 4.14, Armour has no subsidiaries or any investments in any other corporation, association, partnership or other business entity and does not own any shares of capital stock or other securities of any other entity or any general or limited partnership interest. Except as disclosed on Schedule 4.14, Bridgewater has no subsidiaries or any investments in any other corporation, association, partnership or other business entity and does not own any shares of capital stock or other securities of any other entity or any general or limited partnership interest.

4.15 Insurance. Attached hereto as Schedule 4.15 is a complete list of all insurance policies currently maintained by Armour or Bridgewater, and, with respect to each of such policies, a general description of the risks covered and claims insured; copies of all such policies have been furnished or will be made available to Buyer prior to Closing. All such policies are in full force and effect, and consummation of the transactions contemplated herein shall not prevent Armour or Bridgewater from continuing such policies on substantially similar terms in the future.

4.16 Employees.

(a) **List of Employees.** Schedule 4.16 sets forth a list of all of the Armour and Bridgewater employees, officers, directors, consultants and independent contractors, together with a description of any contract regarding the terms of service and the rate and basis for total compensation of such persons.

(b) **Accruals and Taxes.** Schedule 4.16 sets forth the policies followed by Armour and Bridgewater with respect to vacation and sick-leave for employees of such entities. Armour and Bridgewater each has paid or made provision for the payment of all salaries and accrued wages, and any other form of accrued, but unpaid, compensation, and has complied in all material respects with all applicable laws, rules and regulations relating to the employment of labor, including those relating to wages, hours, collective bargaining and the payment and withholding of Taxes, and has withheld and paid to the appropriate governmental authority, or is holding for payment not yet due to such authority, all amounts required by law or agreement to be withheld from the wages or salaries of its employees.

(c) **Employment Agreement.** Except as set forth on Schedule 4.16 hereto, neither Armour nor Bridgewater is a party to any (i) outstanding

employment agreements or contracts with officers or employees that are not terminable at will without penalty, premium or continuing obligation, or that provide for payment of any bonus or commission, (ii) agreement, policy or practice that requires it to pay termination or severance pay to salaried, non-exempt or hourly employees, (iii) collective bargaining agreement or other labor union contract applicable to persons employed by Armour or Bridgewater, nor do the Shareholders, Armour or Bridgewater know of any activities or proceedings of any labor union to organize any such employees. Armour and Bridgewater have furnished to Buyer complete and correct copies of all such agreements, if any ("Employment and Labor Agreements"). Neither Armour nor Bridgewater has breached or otherwise failed to comply with any provisions of any Employment and Labor Agreement.

(d) Employment Claims. There are no charges with respect to or relating to Armour or Bridgewater pending before the Equal Employment Opportunity Commission or any state or local agency responsible for the prevention of unlawful employment practices, and neither the Shareholders, Armour nor Bridgewater has received notice from any federal, state or local agency responsible for the enforcement of labor or employment laws of an intention to conduct an investigation of Armour or Bridgewater and, to the knowledge of the Shareholders, Armour and Bridgewater, no such investigation is in progress or threatened.

4.17 Contracts.

(a) Generally. Except as listed in Schedule 4.17, neither Armour nor Bridgewater is a party to any written contract relating to:

(i) Bonus, pension, profit sharing, retirement, stock option, employee stock purchase or other plans providing for deferred compensation;

(ii) Collective bargaining agreements or any other contract with any labor union;

(iii) Hospitalization insurance or other welfare benefit plans or practices;

(iv) Loans to its employees, officers, directors or Affiliates;

(v) The borrowing or loaning of money to or from any person or the mortgaging, pledging or otherwise placing a lien on any asset of Armour or Bridgewater;

(vi) A guarantee of any obligation;

(vii) The lease (whether as lessee or lessor) or operation of any leased property, real or personal, requiring total annual payments in excess of \$25,000;

(viii) Intangible property (including proprietary rights), requiring total annual payments in excess of \$25,000;

(ix) Express warranties given by Armour or Bridgewater with respect to its services rendered or its products sold or leased;

(x) Registration or preemptive rights with respect to any securities;

(xi) Prohibitions (other than applicable laws or regulations) preventing it from freely engaging in any business;

(xii) The purchase, acquisition, disposition or supply of inventory and other property and assets, requiring total annual payments in excess of \$25,000;

(xiii) Employees, independent contractors, consultants, or other agents;

(xiv) Sales, commissions, advertising or marketing; or

(xv) Any other written contract not of the type covered by any of the foregoing items of this Section 4.17 requiring total annual payments by Armour or Bridgewater in excess of \$25,000.

(b) Compliance. Armour and Bridgewater have each performed all material obligations required to be performed by it, and is not in receipt of any claim of default or breach or notice of audit, under any contract required to be disclosed on Schedule 4.17. Except as disclosed in Schedule 4.17, to the best of the Shareholders', Armour's and Bridgewater's knowledge, no event has occurred which with the passage of time or the giving of notice or both would result in a material default, breach or event of non-compliance by the Shareholders, Armour or Bridgewater under any contract required to be disclosed on Schedule 4.17. Except as disclosed in Schedule 4.17, neither the Shareholders, Armour nor Bridgewater has any present expectation or intention of not fully performing all of its obligations under any contract required to be disclosed on Schedule 4.17 and has no knowledge of any breach or anticipated breach by any other party to any contract required to be disclosed on Schedule 4.17.

4.18 True and Complete Copies. The Shareholders have delivered or made available to Buyer true and complete copies of all contracts and documents listed in the Schedules to this Agreement.

4.19 Title and Related Matters.

(a) **Owned Property.** Set forth in Schedule 4.19 is a description of all real property and a list of personal property owned and used by Armour and Bridgewater in the operation of their respective businesses and a list of real and personal property to be excluded from the transactions contemplated by this Agreement. Armour and Bridgewater each have good and merchantable title to all real and personal property used in the operation of their respective businesses, free and clear of all liens, except Permitted Liens. For purposes of this Agreement, "Permitted Liens" shall mean (i) statutory liens for Taxes not yet due and payable, (ii) such imperfections or irregularities of title, liens, easements, charges or encumbrances as do not materially interfere with the present use of the properties or assets subject thereto or affected thereby, do not otherwise impair present business operations at such properties, or do not have a material adverse effect on the value of such properties and assets and (iii) liens specifically disclosed in the footnotes to the Armour Financial Statements. All properties used in Armour's and Bridgewater's respective business operations as of December 31, 1997 are reflected in the Armour Financial Statements in accordance with and to the extent required by GAAP. Seller has delivered, with respect to any real property owned by the Company, true and complete copies of all deeds and other title documents relating to such real property. Shareholders will cooperate in furnishing materials and/or allowing such surveys and/or inspections as may be necessary in connection with Buyer's financing.

(b) **Leases.** Except as set forth on Schedule 4.19, neither Armour nor Bridgewater are lessee under any lease for personal or real property.

(c) **Liens.** The real property owned by Armour or Bridgewater and the buildings, structures and improvements included within such real property (collectively, the "Improvements") comply in all material respects with all applicable restrictions, building ordinances and zoning ordinances and all regulations of the applicable health and fire departments. No alteration, repair, improvement or other work which could reasonably be expected to give rise to a lien has been performed with respect to such Improvements within the past one hundred twenty (120) days. Armour's and Bridgewater's owned real property and its use, occupancy and operation as currently used, occupied and operated does not constitute a nonconforming use under any regulation or order affecting such real property, and the continued existence, use, occupancy and operation of such Improvements is not currently dependent on any special

permit, exception, approval or variance. There is no pending or, to the Shareholders', Armour's or Bridgewater's knowledge, threatened or proposed action or proceeding by any authority to modify the zoning classification of, to condemn or take by the power of eminent domain (or to purchase in lieu thereof), to classify as a landmark, to impose special assessments on or otherwise to take or restrict in any way the right to use, develop or alter all or any part of Armour's or Bridgewater's owned real property.

(d) Utilities. Except as set forth on Schedule 4.19, the real property owned by Armour or Bridgewater has access, sufficient for the conduct of its business as presently conducted, to public roads and to all utilities, including electricity, sanitary and storm sewer, potable water and other utilities used in the operation of its business as presently conducted.

(e) Condition. Since December 31, 1997, neither Armour nor Bridgewater has sold, transferred, leased, distributed or disposed of any of its assets or properties, except for (i) transactions in the ordinary and regular course of business, (ii) transactions otherwise consented to in writing by Buyer, or (iii) transactions disclosed on Schedule 4.19. Armour and Bridgewater each owns, leases or has all rights necessary to use, all properties and assets necessary for the conduct of its business as presently conducted. The assets and properties owned, leased or used by Armour or Bridgewater in the conduct of its business are in good condition (reasonable wear and tear excepted), are suitable for their respective uses, and comply, in all material respects, with all applicable regulations, and constitute all of the assets necessary for Buyer to conduct the businesses of Armour and Bridgewater as presently conducted.

4.20 Tax Matters.

(a) Generally. Armour has timely filed all federal, state and local tax reports, returns, information returns and any other documents required to be filed by it, including returns covering Bridgewater (collectively, "Tax Returns") and has duly paid all Taxes shown to be due and payable on such Tax Returns and all estimated or advance payments required by law. For purposes of this Agreement, "Tax" or "Taxes" means any income, gross receipt, net proceeds, alternative or add-on minimum, *ad valorem*, value added, estimated turnover, sales, use, property, personal property (tangible and intangible), stamp, leasing, lease, user, excise, duty, franchise, transfer, license, withholding, payroll, employment, foreign, fuel, excess profits, occupational and interest equalization, windfall profits, service, severance and other taxes, charges, fees, levies or other assessments of any kind whatsoever (including interest, penalties, fines and additions thereto) imposed by any taxing authority, federal, state or local. All Taxes for periods ending on or prior to the Closing Date have been fully paid or reserved against on the Armour Financial Statements and on the Closing Balance Sheet and on the books and records of Armour in

accordance with GAAP. All Taxes which are required to be withheld or collected by Armour or Bridgewater have been duly withheld or collected and, to the extent required, have been paid to the proper federal, state or local authorities or properly segregated or deposited as required by applicable regulations. There are no liens for Taxes upon any property or assets of Armour or Bridgewater, except for liens for Taxes not yet due and payable. Except as set forth on Schedule 4.20, Armour or Bridgewater has not requested an extension of time within which to file any Tax Return and has not waived the statute of limitations on the right of the IRS or any other taxing authority to assess or collect additional Taxes or to contest the information reported on any Tax Return. Any and all tax refunds owed to Armour or Bridgewater, including those set forth on the Armour Financial Statements, have been properly received by Armour or Bridgewater and/or credited toward the payment of future Tax obligations.

(b) Good Faith. All Tax Returns described in Section 4.20(a) have been prepared in good faith and to the best of the Shareholders', Armour's and Bridgewater's knowledge are correct and complete in all material respects, and to the best of the Shareholders', Armour's and Bridgewater's knowledge, there is no basis for assessment of any addition to the Taxes shown thereon.

(c) Claims. There are no proceedings, examination or, to the best of the Shareholders', Armour's and Bridgewater's knowledge, claims currently pending by any taxing authority in connection with any Tax Returns described in Section 4.20(a) nor with respect to the periods to which such Tax Returns relate, and there are no unresolved issues or unpaid deficiencies or outstanding or proposed assessments relating to any such proceedings, examinations, claims or Tax Returns. None of the Tax Returns described in Section 4.20(a) currently is under audit or has been audited in the past five years.

(d) True and Complete Copies. The Shareholders and Armour have delivered to Buyer true and complete copies of all Tax Returns filed by Armour and/or Bridgewater with respect to its 1994, 1995, 1996 and 1997 fiscal years.

4.21 Intellectual Property. Neither Armour nor Bridgewater owns or has applied for any registered patents, copyrights, trademarks or service marks. If necessary, Armour and Bridgewater each holds valid licenses to use all proprietary rights used in the operation of its business as presently conducted.

4.22 Environmental Matters. Armour and Bridgewater each has obtained all environmental permits required in connection with the operation of its business. Armour and Bridgewater each is and has been in compliance in all material respects with (i) the terms and conditions of all such environmental permits and (ii) all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations,

schedules and timetables of any applicable environmental law or regulation, order, code, plan, decree, judgment, injunction or demand letter issued, entered, promulgated or approved thereunder. Armour and Bridgewater each currently possesses and maintains such environmental permits in its respective name, and no amendments or modifications to such environmental permits or filings with any permitting authority are required to permit the acquisition of the Armour Stock or Bridgewater Stock as contemplated hereby. In addition, except as set forth in Schedule 4.22:

(a) Generally. No notice, notification, demand, request for information, citation, summons or order has been issued, no complaint has been filed, no penalty has been assessed and no investigation or review is pending or, to the Shareholders', Armour's and Bridgewater's knowledge, threatened by any authority or other entity with respect to Armour or Bridgewater relating to any environmental permit, license or authorization required in connection with the conduct of business of Armour or Bridgewater or with respect to the generation, treatment, storage, recycling, transportation, disposal or release of any substance regulated under environmental laws ("Hazardous Materials").

(b) Property. To best of the Shareholders', Armour's and Bridgewater's knowledge, in connection with the real property used, owned or leased by Armour or Bridgewater, except as set forth in Schedule 4.22:

(i) Neither Armour nor Bridgewater has handled any Hazardous Material on any property now or previously owned or leased by Armour or Bridgewater.

(ii) No PCB or asbestos is or has been present at any property now or previously owned or leased by Armour or Bridgewater.

(iii) There are no underground storage tanks for Hazardous Materials, active or abandoned, at any property now or previously owned or leased by Armour or Bridgewater.

(iv) There has been no release of Hazardous Materials at, or under any property now or previously owned or leased by Armour or Bridgewater.

(c) Transportation. Neither Armour nor Bridgewater has (i) transported or arranged for the transportation of any Hazardous Material to any location which is listed on the National Priorities List under the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended ("CERCLA"), listed for possible inclusion on the National Priorities List by the Environmental Protection Agency in the Comprehensive Environmental Response and Liability Information System ("CERCLIS") or on any similar state

list or which is the subject of federal, state or local enforcement actions or other investigations or (ii) stored, treated, transported or disposed, or arranged for storage, treatment, transport or disposal of any Hazardous Materials, other than in compliance with environmental law.

(d) Notification of Release. No oral or written notification of a "Release" (as defined in Section 9601(22) of Title 42 of the United States Code) of a Hazardous Material has been filed by or on behalf of Armour or Bridgewater, and no property now or previously owned or leased by Armour or Bridgewater is listed or proposed for listing on the National Priorities List under CERCLA, on CERCLIS or on any similar state list of sites requiring investigation or clean-up.

(e) Liens. There are no Liens arising under or pursuant to any environmental laws on any of the real property owned or leased by Armour or Bridgewater, and no government actions have been taken or are threatened which could subject any of such properties to such Liens. Neither Armour nor Bridgewater is required to place any notice or restriction relating to the presence of Hazardous Materials at any property owned by it in any deed to such property.

(f) Site Assessments. Except as set forth in Schedule 4.22, there have been no Phase I or Phase II environmental site assessments conducted by or which are in the possession of the Shareholders, Armour or Bridgewater in relation to any property or facility now or previously owned or leased by Armour or Bridgewater.

4.23 Dealings with Affiliates. Schedule 4.23 sets forth a complete and accurate list of all written contracts between Armour or Bridgewater and any one or more of its Affiliates. For purposes of this Agreement, "Affiliate" shall mean, with regard to any person or entity, any person or entity which, directly or indirectly, controls, is controlled by, or is under common control with, such person or entity and, with respect to any individual, the spouse, ancestors and descendants (lineal or by marriage) thereof. "Control" (including, with correlative meaning, the terms "controlled by" and "under common control with"), as used with respect to any person or entity, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person or entity, whether through the ownership of voting securities, by contract or otherwise. Except as set forth in Schedule 4.23, since December 31, 1997, neither Armour nor Bridgewater has made any payments, loaned any funds or property or made any credit arrangement with any Affiliate or employee except for the payment of employee salaries in the ordinary course of business.

4.24 Commissions. There are and will be no claims for brokerage commissions, finder's fees, fees for fairness opinions or financial advisory services or

similar compensation in connection with the transactions contemplated by this Agreement based on any arrangement or agreement made by or on behalf of the Shareholders, Armour, Bridgewater or any of their Affiliates.

4.25 Permits and Reports. Schedule 4.25 hereto sets forth a list of all permits, licenses, registrations, certificates, orders, approvals or other authorizations from any authority or other person including, without limitation, the FCC and the SDPUC ("Permits") issued to or held by Armour or Bridgewater in connection with its operations. Such Permits are the only Permits that are required for Armour or Bridgewater to conduct its business as presently conducted. Each such Permit is in full force and effect, and neither the Shareholders, Armour nor Bridgewater has received notice that any suspension, cancellation or modification of the terms of any such Permit is threatened. Armour and Bridgewater is each in full compliance in all material respects with the terms of each such Permit, and the Shareholders, Armour and Bridgewater are not aware of any reason not set forth in said Permit why any such Permit would not be renewed, upon substantially the same terms as currently exist, upon expiration of such Permit. Except as set forth on Schedule 4.25, to the best of Shareholders', Armour and Bridgewater's knowledge, (i) all returns, reports, applications, statements and other documents required to be filed by Armour or Bridgewater with the FCC, the SDPUC and any other regulatory or governmental authority or municipality (including taxing authorities) with respect to the business on or before the date hereof have been duly filed or properly extended as permitted by law and are true and complete in all material respects, (ii) all reporting requirements of the FCC, the SDPUC and other regulatory or governmental authorities or municipalities (including taxing authorities) having jurisdiction thereof have been complied with in all material respects, and (iii) no other person or entity is currently operating or providing telephone service within the exchange boundaries served as of the date hereof by Armour and Bridgewater, and, to the best of the Shareholders', Armour's and Bridgewater's knowledge, no other person or entity is anticipating or contemplating doing so.

4.26 Absence of Undisclosed Liabilities. Neither Armour nor Bridgewater has any liability of any nature whatsoever (whether known or unknown, due or to become due, accrued, absolute, contingent or otherwise), including, without limitation, any unfunded obligation under employee benefit plans or compensation arrangements or liabilities for Taxes or liabilities for under-reporting, under-billing or under-collection of revenues or underpayment of revenues to a third party, except for (i) liabilities stated or reserved against in full in the Armour Financial Statements, (ii) current liabilities incurred in the ordinary course of business and consistent with past practice after the date of the Armour Financial Statements which, individually and in the aggregate, do not have, and cannot reasonably be expected to have, a material adverse effect, and which shall be fully set forth in the Interim Financial Statements with respect to the periods covered thereby, and (iii) liabilities disclosed on Schedule 4.26 hereto.

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

Article 5

COVENANTS AND AGREEMENTS OF THE SHAREHOLDERS, ARMOUR AND BRIDGEWATER

Armour, Bridgewater and the Shareholders, jointly and severally, covenant and agree with Buyer as follows, that from the date of this Agreement through the Closing Date, except as disclosed on Schedule 5.0 hereto:

5.1 Changes in Articles of Incorporation or Bylaws. There shall be no change in the Articles of Incorporation or Bylaws of Armour or Bridgewater or in the authorized or issued capital stock of Armour or Bridgewater, and Armour and Bridgewater shall each maintain its corporate existence and powers and shall use its reasonable best efforts to maintain the goodwill and employees of its business.

5.2 Issuance or Purchase of Securities. Neither Armour nor Bridgewater shall (i) issue any additional capital stock or other security, (ii) directly or indirectly redeem, exchange, purchase or otherwise acquire any shares of its capital stock; or (iii) issue to any person or entity any options, warrants or other rights to acquire any security of Armour or Bridgewater, respectively.

5.3 Conduct of Business. Except with the prior written approval of Buyer or as shown on Schedule 5.0 hereto:

(a) The business of Armour and Bridgewater shall be conducted in the same manner as presently being conducted and Armour and Bridgewater shall refrain from entering into any transaction or contract other than in the ordinary course of business and shall not make any change in its methods of management, marketing, accounting or operation, except to the extent required by federal or state regulatory authorities (which changes shall be specifically described on Schedule 5.0 hereto), excluding actions taken with respect to the cellular and LMDS businesses as contemplated in this Agreement;

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

(c) No increase shall be made in the compensation or compensation plans (including bonuses, commissions, severance pay and fringe benefits) payable or to become payable to any officer, director or employee of Armour or Bridgewater, except for those routine salary increases granted to employees in the ordinary course of business and consistent with the respective prior practices of Armour or Bridgewater, and provided with respect to this Section 5.3(c), the approval of Buyer shall not be unreasonably withheld;

(d) Neither Armour nor Bridgewater shall (i) create or incur any indebtedness for borrowed money or create or incur any other indebtedness except in the normal and ordinary course of business; (ii) enter into or terminate any lease of real estate; (iii) create any subsidiary; (iv) release or create any liens or other security interest except for purchase money security interests granted in the normal and ordinary course of business; (v) declare or pay a dividend, whether in cash or in-kind, except for such cash distributions mutually agreed to by the parties hereto and made on or before the Closing Date, or (vi) authorize or make any change in the capital structure of Armour or Bridgewater, respectively;

(e) Neither Armour nor Bridgewater shall make any capital expenditure or capital expenditure commitment, or enter into any lease, as lessee, of capital equipment, except in the normal and ordinary course of business or as may be required by the SDPUC; and

(f) Neither Armour nor Bridgewater shall sell any asset or make any commitment relating to its assets other than in the normal and ordinary course of business, and in an amount not exceeding \$25,000, excluding actions taken with respect to the cellular and LMDS businesses as contemplated in this Agreement.

5.4 Access to Properties. At all times prior to the Closing Date, Armour and Bridgewater shall allow Buyer's employees, attorneys, accountants, agents and other authorized and designated representatives full access during reasonable business hours and after reasonable notice to Armour's and Bridgewater's properties, books and records, including, without limitation, deeds, title commitments, leases, insurance policies, minute books, share certificate books, share registers, accounts, financial records and all other data that are reasonably required for Buyer to make such investigation as it may desire of the properties and financial condition and businesses of Armour and Bridgewater. In order to maintain confidentiality, Buyer may have access to Armour's and Bridgewater's offices and properties only upon the prior approval of William G. Haugen, Jr., Vice President of Armour.

5.5 Directors, Officers, Operations. Armour and Bridgewater shall each deliver to Buyer prior to Closing a list showing:

(a) The names of the Armour and Bridgewater directors and officers, registered agent and registered office;

(b) The banks and financial institutions in which Armour or Bridgewater has an account or safe deposit box and the names of all persons authorized to draw thereon or to have access thereto; and

(c) The names of all persons holding powers of attorney from Armour or Bridgewater with copies thereof attached thereto.

5.6 **Privileges.** As of the Closing Date, Armour, Bridgewater and the Shareholders shall terminate any "calling card" or other special privileges, benefits or rights provided by Armour or Bridgewater to the Shareholders.

5.7 **CommNet Cellular Numbers.** From and after the Closing Date, Buyer agrees that the Shareholders shall be entitled to receive five of the free CommNet cellular telephone numbers and services received by Armour in its sales of assets to CommNet Cellular, Inc. Shareholders shall pay any charges with respect to such CommNet cellular telephone numbers to the extent Armour is charged for such cellular telephone numbers after Closing Date. Notwithstanding anything in this Agreement or otherwise to the contrary, Shareholders agree that their obligations to pay any such charges owed by shareholders pursuant to this Section 5.7 shall not be subject to the "Minimum Amount", or the "Maximum Amount" indemnification limitations set forth in Section 6.1 below, and shall survive the "Indemnification Period" set forth in Section 6.2 below.

5.8 **Transfer of Cellular Interest and LMDS Interest.** Notwithstanding anything to the contrary herein, the parties acknowledge and agree that on or prior to the Closing Date Armour shall transfer all of the Cellular Interest and all of the LMDS Interest, in full compliance with all applicable contracts, agreements, regulations, statutes and ordinances applicable to the ownership, transfer or other disposition thereof, and shall provide Buyer with written evidence thereof to the satisfaction of Buyer and its counsel. The Shareholders shall indemnify Buyer with respect to any and all liabilities arising in connection with the ownership or transfer of the Cellular Interest or the ownership or transfer of the LMDS Interest, as more particularly provided in Section 6.1 (e) hereof. The Shareholders shall obtain all necessary consents, approvals, permits, authorizations and waivers pertaining to the transfer of the Cellular Interest and the LMDS Interest, including, without way of limitation, all necessary approvals of the South Dakota Public Utilities Commission, Federal Communications Commission, and the Federal Trade Commission, if any, prior to effectuating such transfer. Provided that the Shareholders comply with the provisions of this Section, the transfers of the Cellular Interest and the LMDS Interest shall not be deemed a breach of any representation or warranty contained in this Agreement.

Article 6
INDemnIFICATION OBLIGATIONS

6.1 **Matters Covered by Indemnification.** The Shareholders, jointly and severally, hereby covenant and agree that they shall defend and indemnify Buyer and hold harmless Buyer at all times after the Closing Date from and against and in respect to any and all losses, liabilities, claims, costs (including, without limitation, court costs and reasonable attorneys' fees), damages, expenses or deficiencies arising out of or due to:

- (a) Any breach of any representation, warranty or any agreement, covenant or obligation on the part of Armour, Bridgewater or the Shareholders made in this Agreement;
- (b) All Taxes of the Shareholders or of Armour or Bridgewater attributable to any period which ends prior to or on the Closing Date to the extent such liability was not fully accrued for in the Armour Financial Statements or Closing Balance Sheet;
- (c) Any undisclosed liability of Armour or Bridgewater;
- (d) Any actions, suits, proceedings, costs, expenses and legal fees incident to any of the foregoing items listed under this Section 6.1.
- (e) Any and all claims in any way relating to or arising out of the ownership or the transfer of the Cellular Interest or the ownership or transfer of the LMDS Interest, or the business or operations of the South Dakota 7 Sully Limited Partnership, the Missouri Valley Cellular of South Dakota Limited Partnership, Missouri Valley Cellular, Inc., or the ABS LMDS Joint Venture, whether arising or made before or after the Closing Date, specifically including, without any of limitation, claims arising in connection with the transfer of the Cellular Interest or the transfer of the LMDS Interest. Notwithstanding anything in this Agreement or otherwise to the contrary, the parties specifically agree that the indemnification obligation of the Shareholders with respect to any, and all indemnifiable claims or events under this Section 6.1(e) shall not be subject to, or included within, the "Minimum Amount" or the "Maximum Amount" limitations set forth below, and shall survive the "Indemnification Period" set forth in Section 6.2 below. It is the intent and agreement of the parties that the Shareholders shall fully indemnify Buyer, Armour and Bridgewater with respect to any and all damages, expenses, fees, costs and claims pertaining to or arising from the Cellular Interest, the LMDS Interest or the transfer thereof, and that such indemnification obligation survive and continue until the expiration of all applicable statutes of limitations relating thereto.

Liability shall arise pursuant to the foregoing indemnity obligations only if the losses, liabilities, claims, costs, damages, expenses or deficiencies arising therefrom exceed

in the aggregate \$25,000 (the "Minimum Amount"), and only with respect to such amount in excess thereof. For purposes of determining the Minimum Amount, such amount shall include the losses, liabilities, claims, costs, damages, expenses or deficiencies arising under the agreements of Shareholders with Buyer to sell the Shareholders' shares of Union Telephone Company and the Shareholders' shares of WMMW Cable TV Co., as well as this transaction. If such claims exceed the Minimum Amount, the Shareholders shall indemnify Buyer for the excess amount of the claims pursuant to this section; provided, however, that the Shareholders' total obligations to indemnify Buyer pursuant to this Article 6 shall not exceed the lesser of: (i) \$600,000, or (ii) \$600,000 minus any indemnification payments (including payment by set off) made by Shareholders to Buyer pursuant to Shareholders' agreements with Buyer to sell the Shareholders' shares of Union Telephone Company and the Shareholders' shares of WMMW Cable TV Co. (the "Maximum Amount").

6.2 Procedure for Indemnification. Buyer shall assert any claim or claims for indemnification under the provisions of Section 6.1 above by giving written notice of such claim or claims to the Shareholders' Representative within the later of (i) twelve (12) months after the Closing Date, or (ii) four (4) months after the close of Buyer's first audit period following the Closing Date (the "Indemnification Period"). Each such notice shall set forth in reasonable detail the factual basis giving rise to the claim or claims and the amount of the damages and expenses incurred by Buyer as a result of such claim or claims. Such notice shall be given within a reasonable time after receipt of actual notice of such claim or the incurring of such damages and expenses by Buyer. The Shareholders agree that they shall promptly reimburse and pay Buyer for such damages and expenses to which Buyer is entitled under this Article 6. If any claim for indemnification hereunder is based upon an action or claim filed or made against Buyer, Armour or Bridgewater by a third party, then the Shareholders shall have the right to negotiate a settlement or compromise of any such action or claim or to defend any such action or claim at the sole cost and expense of, and with counsel selected by, the Shareholders; provided, however, that neither the Shareholders, Armour nor Bridgewater shall, except with the prior written consent of Buyer, consent to the entry of any judgment or enter into any settlement or compromise which does not include as an unconditional term thereof the giving by the claimant or plaintiff to Buyer of a release from all liability with respect to the subject claim. With respect to all such third party claims, Buyer shall have the right to take any actions or steps it deems reasonable to avoid the occurrence of any prejudice to the rights of Buyer. Buyer shall have the right to assume the defense of any such action with counsel of Buyer's choosing, subject to Shareholders' consent, which shall not be unreasonably withheld, at the Shareholders' sole cost, in the event such action (i) includes a demand for injunctive or equitable relief in respect of Buyer, Armour or Bridgewater, or (ii) is for an alleged amount of more than Fifty Thousand Dollars (\$50,000). With respect to all other claims by third parties which may result in indemnification by the Shareholders hereunder, Buyer may participate with counsel of its choosing at its cost.

6.3 Set Off Under Noncompetition Agreements. From and after the date of this Agreement through the longer of (a) the Indemnification Period or (b) so long as any claim made during the Indemnification Period is still outstanding and unresolved as set forth in this Article 6, Buyer shall have the right to set off against any payments due from Buyer to the Shareholders under their respective Noncompetition Agreements any amount for which Buyer is entitled to indemnification by Shareholders under this Article 6. Any set off against such payments shall be divided equally among payments to each of the Shareholders.

Article 7 REGULATORY APPROVALS

7.1 Regulatory Approvals. Buyer shall manage, at its expense, the process of obtaining and shall use its best efforts to obtain in an expeditious manner, with the Shareholders' assistance, all governmental consents and approvals required to carry out the transactions contemplated by this Agreement, including, without limitation, any necessary consents and approvals from the Federal Communications Commission, the South Dakota Public Utilities Commission, the Federal Trade Commission under the Hart-Scott-Rodino Antitrust Improvement Act ("HSR Act"), and any other local, state or federal agency or municipality. Buyer shall use its best efforts to prepare and file all necessary regulatory notices, applications, requests and petitions within thirty (30) days after the date of this Agreement, and shall pay all filing fees required by the HSR Act. Armour, Bridgewater and the Shareholders agree to cooperate with Buyer in obtaining such consents and approvals.

Article 8 OTHER OBLIGATIONS

8.1 Tax Return Preparation and Audit. The parties acknowledge that Armour will be required to prepare and file a tax return for a shortened year ending as of the Closing Date. Subject to the Shareholders' obligation to indemnify Buyer pursuant to Section 6.1(b) hereof, Buyer shall be responsible for accurately and timely preparing and filing such return and for the timely payment of all taxes stated therein as due and provided that Buyer shall, upon the written request of the Shareholders' Representative, permit Armour's accountant to review and participate in preparing such tax returns. Buyer shall not make, or fail to make, any elections in connection with the preparation or filing of such tax returns that would have a material adverse effect on Armour's tax liability on such return. The parties agree that the tax return shall be prepared on the same basis as tax returns for prior years without regard to the fact that Armour will be a member of a consolidated group for tax purposes. The Shareholders agree to cooperate with the Buyer in the preparation of such tax return.

8.2 No Shopping. Armour, Bridgewater and the Shareholders agree that, subject to compliance with any fiduciary duty, and excluding the actions taken with

respect to the cellular and LMDS businesses as contemplated in this Agreement, neither they nor any of their agents or Affiliates will, during the period beginning on the date hereof and ending on the first to occur of (a) the Closing or (b) the termination of this Agreement, either (i) sell or arrange for the sale of the Armour Stock or the Bridgewater Stock; (ii) negotiate, solicit, encourage or authorize any person to solicit from any third party any proposals relating to the disposition of the business or assets of Armour or Bridgewater or the acquisition of the Armour Stock or the Bridgewater Stock; or (iii) make any information concerning Armour or the Armour Stock or Bridgewater or the Bridgewater Stock available to any person for the purpose of affecting or causing a disposition of Armour assets or the Armour Stock, or Bridgewater assets or the Bridgewater Stock.

Article 9
CONDITIONS PRECEDENT TO OBLIGATIONS
OF ARMOUR, BRIDGEWATER AND THE SHAREHOLDERS

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

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

9.2 Certificate. A certificate, dated the Closing Date, signed by an officer of Buyer covering the provisions of Section 9.1 hereof shall have been provided.

9.3 Certified Copy of Resolutions. Buyer shall have delivered a copy, certified by the duly qualified and acting secretary or assistant secretary of Buyer, of resolutions adopted by the board of directors of Buyer approving this Agreement and the consummation of the transactions contemplated by this Agreement.

9.4 Consents and Approvals. All consents, approvals, authorizations, permits, certificates and orders with respect to the transactions contemplated by this Agreement required from any person, entity, court or governmental agency or instrumentality (federal, state or local), including without way of limitation, all regulatory approvals contemplated by Section 7.1 hereof, shall have been obtained and shall be valid and in full force and effect, and no conditions, requirements or qualifications shall have been imposed by such consents, approvals, authorizations, permits, certificates or orders that, in the reasonable opinion of Armour, Bridgewater and the Shareholders, materially adversely impact the financial condition of Armour or Bridgewater.

9.5 **Payment.** Buyer shall pay the Adjusted Purchase Price in accordance with Article 2.

9.6 **No Litigation.** No claim, suit, action, or other proceeding shall be pending before any court or governmental body to restrain or prohibit the consummation of the transactions hereunder.

9.7 **Deliveries by Buyer.** On or before the Closing Date, Buyer shall have executed and delivered to Armour, Bridgewater and the Shareholders the following:

(a) Transition Services Agreements for each Shareholder in substantially the form attached hereto as Exhibit C; and

(b) Noncompetition Agreements for each Shareholder in substantially the form attached hereto as Exhibit D.

9.8 **Related Transactions.** Armour, Bridgewater and the Shareholders shall have evidence reasonably satisfactory to them that on or before the Closing Date the transactions contemplated in the following agreements have been consummated or are being consummated concurrently with closing under this Agreement: (i) Stock Purchase Agreement, dated December 24, 1998, among Union Telephone Company, the Shareholders and MJD Services Corp., as buyer; and (iii) Stock Purchase Agreement, dated December 24, 1998, among WMW Cable TV Co., the Shareholders and MJD Services Corp., as buyer; and (iii) the sale or transfer of Armour's Cellular Interest and LMDS Interest, as contemplated in this Agreement.

9.9 **Opinion of Counsel.** Buyer shall deliver at Closing an opinion of counsel to Buyer in substantially the form attached hereto as Exhibit E.

Article 10

CONDITIONS PRECEDENT TO OBLIGATIONS OF BUYER

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

10.1 **Representations and Warranties.** Each of the representations and warranties of Armour, Bridgewater and the Shareholders contained in this Agreement shall be accurate in all material respects as of the date hereof and as of the Closing Date (except to the extent that such representations and warranties shall be incorrect as of the Closing Date because of events or changes occurring after the date hereof in the ordinary course of business of Armour or Bridgewater as contemplated in this Agreement); Armour, Bridgewater or Shareholders shall advise Buyer in writing of any such resulting inaccuracies, and Armour, Bridgewater and the Shareholders shall have performed all covenants and agreements required to be performed by them and shall

not be in default under any of the provisions of this Agreement at or prior to the Closing Date.

10.2 **Certificate.** Buyer shall have received a certificate, dated the Closing Date, signed by Armour, Bridgewater and the Shareholders covering the provisions of Section 10.1 hereof.

10.3 **Certified Copy of Resolutions.** Armour and Bridgewater shall each have delivered to Buyer a copy, certified by the duly qualified and acting secretary or assistant secretary of Armour and Bridgewater, respectively of resolutions adopted by the board of directors and shareholders of Armour and Bridgewater approving this Agreement and the consummation of the transactions contemplated by this Agreement.

10.4 **Consents and Approvals.** All consents, approvals, authorizations, permits, certificates and orders with respect to the transactions contemplated by this Agreement required from any person, entity, court or governmental agency or instrumentality (federal, state or local), including, without way of limitation, all regulatory approvals contemplated by Section 7.1 hereof, shall have been obtained and shall be valid and in full force and effect, and no conditions, requirements or qualifications shall have been imposed by such consents, approvals, authorizations, permits, certificates or orders that, in the reasonable opinion of Buyer, materially adversely impact the financial condition of Armour or Bridgewater; provided that Buyer agrees that the imposition of conditions of sale by the South Dakota Public Utilities Commission which are similar to those imposed in the purchase of Kadoka Telephone Co. by an affiliate of Buyer (Notice of Entry of Order TC96-167) shall not be deemed to materially adversely impact the financial condition of Armour or Bridgewater.

10.5 **Surrender of Certificates.** The Shareholders shall have surrendered to Buyer the certificates representing all of the issued and outstanding shares of Armour Stock, and such certificates shall be duly endorsed in blank or shall have duly executed blank stock powers attached thereto. Additionally, the Shareholders shall have caused to be delivered to Buyer the certificates representing all of the issued and outstanding shares of Bridgewater Stock, and all of the issued and outstanding directors' shares (duly endorsed in blank or with duly executed blank stock powers attached thereto).

10.6 **Resignations.** Buyer shall have received from each director and officer of Armour and Bridgewater, a written resignation from all Armour and Bridgewater offices and directorships held, respectively, effective as of the Closing Date, and shall have received from each of the Shareholders their resignation as an employee of Armour and Bridgewater.

10.7 **Deliveries by Shareholders.** On or before the Closing Date, Shareholders shall have executed and delivered to Buyer the following:

(a) Transition Services Agreements for each Shareholder in substantially the form attached hereto as Exhibit C; and

(b) Noncompetition Agreements for each Shareholder in substantially the form attached hereto as Exhibit D.

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

10.9 Delivery of Corporate Records. At Closing the Shareholders shall deliver to Buyer the Armour and Bridgewater minute books and stock registers.

10.10 No Litigation. No claim, suit, action or other proceeding shall be pending before any court or governmental body to restrain or prohibit the consummation of the transactions contemplated hereunder.

10.11 Opinion of Counsel. The Shareholders shall deliver at Closing an opinion of counsel to the Shareholders, Armour and Bridgewater in substantially the form attached hereto as Exhibit F.

10.12 Related Transactions. The Buyer shall have evidence reasonably satisfactory to it that on or before the Closing Date the transactions contemplated in the following agreements have been consummated or are being consummated concurrently with Closing under this Agreement: (i) Stock Purchase Agreement, dated DECEMBER 24, 1998, among Union Telephone Company, the Shareholders and MJD Services Corp., as buyer; and (ii) Stock Purchase Agreement, dated DECEMBER 24, 1998, among WMW Cable TV Co., the Shareholders and MJD Services Corp., as buyer, and (iii) the sale or transfer of Armour's Cellular Interest and LMDS Interest, as contemplated in this Agreement.

Article 11 TERMINATION

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

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

(b) By the Shareholders if Buyer breaches its obligations under Article 7 of this Agreement and the Shareholders shall have cooperated fully with Buyer in preparation of all required applications for approval; or

(c) By the Shareholders in the event that any of the conditions set forth in Article 9 of this Agreement shall not have been satisfied or waived and Closing shall not have occurred on or before August 6, 1999, or such later date as shall be agreed upon pursuant to Section 1.2 of this Agreement; or

(d) By Buyer in the event that any of the conditions set forth in Article 10 of this Agreement shall not have been satisfied or waived and Closing shall not have occurred on or before August 6, 1999, or such later date as shall be agreed upon pursuant to Section 1.2 of this Agreement.

11.2 Notice of Termination. Notice of termination of this Agreement as provided for in this Article 11 shall be given by the party or parties so terminating to the other parties hereto in accordance with the provisions of Section 12.4 of this Agreement.

Article 12 MISCELLANEOUS

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

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

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

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

If to Buyer:
MJD Services Corp.
521 East Morehead Street, Suite 250
Charlotte, North Carolina 28202
Fax #: (704) 344-8121
Attention: Eugene Johnson
Executive Vice President

If to Armour, Bridgewater or Shareholders:
c/o David Knudson, Esq.
Davenport Law Firm
P.O. Box 1030
513 So. Main Avenue
Sioux Falls, South Dakota 57104
Fax #: (605) 335-3639

with a copy to:
Underwood, Kinsey, Warren & Tucker, P.A.
201 South College Street
2020 Charlotte Plaza Building
Charlotte, North Carolina 28244
Fax #: (704) 377-9630
Attention: Shirley J. Linn, Esq.

with a copy to:
Dennis J. Fogland Esq.
Baird, Holm Law Office
1500 Woodmen Tower
Omaha, Nebraska 68102
Fax #: (402) 344-0588

or at such other address as may be designated by notice pursuant to this Section 12.4 from such party to the other party. Notice sent by overnight courier shall be deemed delivered on the business day immediately following deposit with such courier. Notice sent by facsimile transmission shall be deemed delivered on the day of transmission if a business day or if not a business day the first business day following the day of transmission. Notice sent by certified or registered mail shall be deemed delivered on the fifth day after deposit with the United States postal service.

12.5 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of South Dakota.

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

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

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

12.9 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same Agreement. This

Agreement shall become effective when one or more counterparts shall have been signed by each of the parties and delivered to the other parties.

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

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

12.12 Confidential Information.

(a) The parties hereby acknowledge and agree that on and after the date hereof, and provided that the party seeking to enforce the provisions of this Section 12.12 is not then in default of its obligations hereunder, each party shall hold in the strictest confidence, and shall not use or disclose to any person, firm or corporation (other than on a need-to-know basis), without the written authorization of the other party, any Confidential Information in its possession pertaining to the other party, except (i) as may be ordered by a court of competent jurisdiction of a claim involving the subject matter of such Confidential Information, (ii) as otherwise required by applicable law or regulation, or (iii) as otherwise provided under Section 12.14 hereof. As used in this Agreement, "Confidential Information" means the terms and conditions contained in this Agreement, including the consideration payable hereunder, and all information, documents and materials not generally available to the public which have been provided by one party to the other in connection with the transactions contemplated hereby or which otherwise relate to, this Agreement. Armour and Buyer each acknowledge and agree that any breach of this section would cause the other party irreparable harm. Accordingly, the non-breaching party may seek and obtain injunctive relief against the breach or threatened breach of this Section 12.12, in addition to any other remedies to which such party may be entitled at law or in equity. If the transactions contemplated by this Agreement shall not be consummated, such confidence shall be maintained and such information shall not be used in competition with Armour or the Buyer.

(b) Notwithstanding anything in this Agreement to the contrary, the parties shall not be under any obligation to maintain in confidence any portion of the information it has received in connection with the transactions contemplated hereby which (i) is now, or which hereafter, through no act or

failure to act on the part of either party, becomes generally known or available to the public, (ii) is known by the recipient party at the time of the disclosure of such information, (iii) is furnished to the other without restriction on disclosure, or (iv) is hereafter furnished to a party by a third party, as a matter of right and without restriction of disclosure.

(c) Notwithstanding the foregoing, any party hereto may disclose the nature and terms of this Agreement to any third party without the prior written consent of any other party or parties hereto (i) as required to obtain the consents, waivers and authorizations referenced in Sections 3.3, 4.3, 4.12, 7.1, 9.4 and 10.4 hereof, (ii) in connection with the Buyer's financing of the transactions contemplated hereby, (iii) as required by applicable law, and (iv) in connection with any securities law filing.

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

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

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

MJD SERVICES CORP.,
a Delaware corporation

By: Michael J. Stuenkel

Title: VICE PRESIDENT

ARMOUR INDEPENDENT TELEPHONE CO.,
a South Dakota corporation

By: William J. Haugen

Title: PRESIDENT

BRIDGEWATER-CANISTOTA INDEPENDENT
TELEPHONE CO.,
a South Dakota corporation

By: William G. Haugen
Title: President

William G. Haugen
WILLIAM G. HAUGEN, SR.

Marilyn M. Haugen
MARILYN M. HAUGEN

William G. Haugen, Jr.
WILLIAM G. HAUGEN, JR.

290878.03

EXHIBIT A**ARMOUR INDEPENDENT TELEPHONE CO.**

<u>SHAREHOLDER</u>	<u>NUMBER OF SHARES OWNED</u>	<u>PERCENTAGE OF OUTSTANDING COMMON STOCK</u>
William G. Haugen, Sr.	775.7	33.29%
Marilyn M. Haugen	775.6	33.29%
William G. Haugen, Jr.	<u>778.7*</u>	<u>33.42%</u>
TOTAL:	2,330.0	100%

*Includes one share each held by Mildred E. Armentrout and JoAnn Harden as directors' qualifying shares.

EXHIBIT B

EXCLUDED ASSETS

- (1) **Real Property:** The East 16 feet of the South 34 feet (E 16' of S 34') of Lot 13, Block 13 in the City of Armour, South Dakota (vacant lot, site of pre-1989 business office).
- (2) **Vehicles:** 1994 Dodge Dakota SLT (William G. Haugen, Jr. personal vehicle)
- (3) **Machinery:**
 - (a) International Harvester Crawler Tractor, early 1950 vintage, came with the company, collector value only;
 - (b) Case Vibratory Pull Plow, age unknown, came with the company, collector value only.
- (4) **Miscellaneous:**
 - (a) Various pictures and plaques which are located at the Armour office.
- (5) **The Cellular Interest**
- (6) **The LMDS Interest**

EXHIBIT C

TRANSITION SERVICES AGREEMENT

THIS TRANSITION SERVICES AGREEMENT (the "Agreement") is made effective as of the _____ day of _____, 1999 by and among WILLIAM G. HAUGEN, SR., a resident of South Dakota ("Consultant"), ARMOUR INDEPENDENT TELEPHONE CO., a South Dakota corporation (the "Company") and MJD SERVICES CORP., a Delaware corporation ("MJD").

W I T N E S S E T H:

WHEREAS, the Company is a South Dakota corporation engaged in, among other activities, the ownership and operation of a telephone company that provides wire line telecommunications services in the exchange of Armour, South Dakota (the "Business"); and

WHEREAS, MJD is as of even date herewith acquiring all of the issued and outstanding common stock of the Company, pursuant to the terms of that certain Stock Purchase Agreement between and among MJD, the Company, Bridgewater-Canistota Independent Telephone Co., William G. Haugen, Sr., Marilyn M. Haugen and William G. Haugen, Jr. (the "Stock Purchase Agreement"); and

WHEREAS, Consultant possesses valuable knowledge and experience regarding the business affairs of the Company; and

WHEREAS, the Company desires to obtain the services of Consultant for its business in order to insure an orderly transition of control of the Business, and Consultant is willing to provide such services;

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

1. Consultation Services. The Company hereby engages Consultant to provide Business consulting services, and Consultant hereby agrees to provide such services to the Company. The specific services to be rendered by Consultant shall be mutually agreed upon from time to time between Consultant and appropriate officers and/or the Board of Directors of the Company. Consultant agrees to devote such time and energy as may be necessary to perform the duties and responsibilities requested by the Company.
2. Term. The term of this Agreement shall be for a period of six (6) months commencing as of the date hereof ("Term").
3. Compensation. For all services rendered by Consultant under this Agreement, the Company shall pay Consultant upon execution of this Agreement the amount of _____ (the "Consulting Payment").

4. Relationship of the Parties.

(a) It is expressly agreed and understood that Consultant shall act as an independent contractor and not as an employee or agent of the Company. The Company has no responsibility for Consultant as an independent contractor, and has no responsibility for any employees hired by Consultant.

(b) As an independent contractor, Consultant hereby expressly agrees that he is responsible for the payment of all taxes, including federal, state and local taxes, arising out of Consultant's performance of the services provided hereunder, including, but not limited to, federal and state income tax, Social Security tax, unemployment insurance taxes, worker's compensation and any and all other taxes.

(c) It is expressly agreed that Consultant will make any insurance arrangements for himself he deems necessary. Consultant understands that he shall not be entitled to receive any health insurance benefits, retirement benefits or other benefits available to employees of the Company.

5. Entire Agreement. This Agreement, with the Stock Purchase Agreement and the Noncompetition Agreement entered into by Consultant simultaneously herewith, contains the entire agreement of the parties with respect to its subject matter and, as of the date hereof, supersedes all previous and contemporaneous agreements and understandings, inducements, or conditions, expressed or implied, oral or written, between the parties with respect to the subject matter hereof, and no waiver, modification, or change of any of its provisions shall be valid unless in writing and signed by the parties against whom such claimed waiver, modification or change is sought to be enforced.

6. Waiver of Breach. The waiver of any breach of any term or condition of this Agreement shall not be deemed to constitute a waiver of any other term or condition of this Agreement.

7. Severability. If any term or provision of this Agreement or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Agreement shall not be affected thereby and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

8. Applicable Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of North Carolina.

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

_____(SEAL)
WILLIAM G. HAUGEN, SR.

ARMOUR INDEPENDENT TELEPHONE CO.

WITNESS:

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

ATTEST:

MJD SERVICES CORP.

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

TRANSITION SERVICES AGREEMENT

THIS TRANSITION SERVICES AGREEMENT (the "Agreement") is made effective as of the _____ day of _____, 1999 by and among WILLIAM G. HAUGEN, JR., a resident of South Dakota ("Consultant"), ARMOUR INDEPENDENT TELEPHONE CO., a South Dakota corporation (the "Company") and MJD SERVICES CORP., a Delaware corporation ("MJD").

W I T N E S S E T H:

WHEREAS, the Company is a South Dakota corporation engaged in, among other activities, the ownership and operation of a telephone company that provides wire line telecommunications services in the exchange of Armour, South Dakota (the "Business"); and

WHEREAS, MJD is as of even date herewith acquiring all of the issued and outstanding common stock of the Company, pursuant to the terms of that certain Stock Purchase Agreement between and among MJD, the Company, Bridgewater-Canistota Independent Telephone Co., William G. Haugen, Sr., Marilyn M. Haugen and William G. Haugen, Jr. (the "Stock Purchase Agreement"); and

WHEREAS, Consultant possesses valuable knowledge and experience regarding the business affairs of the Company; and

WHEREAS, the Company desires to obtain the services of Consultant for its business in order to insure an orderly transition of control of the Business, and Consultant is willing to provide such services;

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

1. Consultation Services. The Company hereby engages Consultant to provide Business consulting services, and Consultant hereby agrees to provide such services to the Company. The specific services to be rendered by Consultant shall be mutually agreed upon from time to time between Consultant and appropriate officers and/or the Board of Directors of the Company. Consultant agrees to devote such time and energy as may be necessary to perform the duties and responsibilities requested by the Company.
2. Term. The term of this Agreement shall be for a period of six (6) months commencing as of the date hereof ("Term").
3. Compensation. For all services rendered by Consultant under this Agreement, the Company shall pay Consultant upon execution of this Agreement the amount of _____ (the "Consulting Payment").

4. Relationship of the Parties.

(a) It is expressly agreed and understood that Consultant shall act as an independent contractor and not as an employee or agent of the Company. The Company has no responsibility for Consultant as an independent contractor, and has no responsibility for any employees hired by Consultant.

(b) As an independent contractor, Consultant hereby expressly agrees that he is responsible for the payment of all taxes, including federal, state and local taxes, arising out of Consultant's performance of the services provided hereunder, including, but not limited to, federal and state income tax, Social Security tax, unemployment insurance taxes, worker's compensation and any and all other taxes.

(c) It is expressly agreed that Consultant will make any insurance arrangements for himself he deems necessary. Consultant understands that he shall not be entitled to receive any health insurance benefits, retirement benefits or other benefits available to employees of the Company.

5. Entire Agreement. This Agreement, with the Stock Purchase Agreement and the Noncompetition Agreement entered into by Consultant simultaneously herewith, contains the entire agreement of the parties with respect to its subject matter and, as of the date hereof, supersedes all previous and contemporaneous agreements and understandings, inducements, or conditions, expressed or implied, oral or written, between the parties with respect to the subject matter hereof, and no waiver, modification, or change of any of its provisions shall be valid unless in writing and signed by the parties against whom such claimed waiver, modification or change is sought to be enforced.
6. Waiver of Breach. The waiver of any breach of any term or condition of this Agreement shall not be deemed to constitute a waiver of any other term or condition of this Agreement.
7. Severability. If any term or provision of this Agreement or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Agreement shall not be affected thereby and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.
8. Applicable Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of North Carolina.

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

_____(SEAL)
WILLIAM G. HAUGEN, JR.

ARMOUR INDEPENDENT TELEPHONE CO.

ATTEST:

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

MJD SERVICES CORP.

ATTEST:

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

TRANSITION SERVICES AGREEMENT

THIS TRANSITION SERVICES AGREEMENT (the "Agreement") is made effective as of the _____ day of _____, 1999 by and among MARILYN M. HAUGEN, a resident of South Dakota ("Consultant"), ARMOUR INDEPENDENT TELEPHONE CO., a South Dakota corporation (the "Company") and NJD SERVICES CORP., a Delaware corporation ("NJD").

W I T N E S S E T H:

WHEREAS, the Company is a South Dakota corporation engaged in, among other activities, the ownership and operation of a telephone company that provides wire line telecommunications services in the exchange of Armour, South Dakota (the "Business"); and

WHEREAS, NJD is as of even date herewith acquiring all of the issued and outstanding common stock of the Company, pursuant to the terms of that certain Stock Purchase Agreement between and among NJD, the Company, Bridgewater-Canistota Independent Telephone Co., William G. Haugen, Sr., Marilyn M. Haugen and William G. Haugen, Jr. (the "Stock Purchase Agreement"); and

WHEREAS, Consultant possesses valuable knowledge and experience regarding the business affairs of the Company; and

WHEREAS, the Company desires to obtain the services of Consultant for its business in order to insure an orderly transition of control of the Business, and Consultant is willing to provide such services;

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

1. **Consultation Services.** The Company hereby engages Consultant to provide Business consulting services, and Consultant hereby agrees to provide such services to the Company. The specific services to be rendered by Consultant shall be mutually agreed upon from time to time between Consultant and appropriate officers and/or the Board of Directors of the Company. Consultant agrees to devote such time and energy as may be necessary to perform the duties and responsibilities requested by the Company.
2. **Term.** The term of this Agreement shall be for a period of six (6) months commencing as of the date hereof ("Term").
3. **Compensation.** For all services rendered by Consultant under this Agreement, the Company shall pay Consultant upon execution of this Agreement the amount of _____ (the "Consulting Payment").

4. Relationship of the Parties.

(a) It is expressly agreed and understood that Consultant shall act as an independent contractor and not as an employee or agent of the Company. The Company has no responsibility for Consultant as an independent contractor, and has no responsibility for any employees hired by Consultant.

(b) As an independent contractor, Consultant hereby expressly agrees that she is responsible for the payment of all taxes, including federal, state and local taxes, arising out of Consultant's performance of the services provided hereunder, including, but not limited to, federal and state income tax, Social Security tax, unemployment insurance taxes, worker's compensation and any and all other taxes.

(c) It is expressly agreed that Consultant will make any insurance arrangements for herself she deems necessary. Consultant understands that she shall not be entitled to receive any health insurance benefits, retirement benefits or other benefits available to employees of the Company.

5. Entire Agreement. This Agreement, with the Stock Purchase Agreement and the Noncompetition Agreement entered into by Consultant simultaneously herewith, contains the entire agreement of the parties with respect to its subject matter and, as of the date hereof, supersedes all previous and contemporaneous agreements and understandings, inducements, or conditions, expressed or implied, oral or written, between the parties with respect to the subject matter hereof, and no waiver, modification, or change of any of its provisions shall be valid unless in writing and signed by the parties against whom such claimed waiver, modification or change is sought to be enforced.
6. Waiver of Breach. The waiver of any breach of any term or condition of this Agreement shall not be deemed to constitute a waiver of any other term or condition of this Agreement.
7. Severability. If any term or provision of this Agreement or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Agreement shall not be affected thereby and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.
8. Applicable Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of North Carolina.

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

_____(SEAL)
MARILYN M. HAUGEN

ARMOUR INDEPENDENT TELEPHONE CO.

ATTEST:

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

MJD SERVICES CORP.

ATTEST:

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

EXHIBIT D

NONCOMPETITION AGREEMENT

THIS NONCOMPETITION AGREEMENT (the "Agreement") is made effective as of the _____ day of _____, 199__ (the "Effective Date"), by and between WILLIAM G. HAUGEN, SR., a resident of the State of South Dakota ("Haugen"), ARMOUR INDEPENDENT TELEPHONE CO., a South Dakota corporation ("Armour"), BRIDGEWATER-CANISTOTA INDEPENDENT TELEPHONE CO., a South Dakota corporation ("Bridgewater") (Armour and Bridgewater referred to collectively as "the Companies") and MJD SERVICES CORP., a Delaware corporation ("MJD").

W I T N E S S E T H:

WHEREAS, pursuant to that certain Stock Purchase Agreement of even date herewith (the "Purchase Agreement") by and among the Companies, MJD, William G. Haugen, Sr., Marilyn M. Haugen, and William G. Haugen, Jr. (collectively, the "Haugens"), MJD is purchasing all of the outstanding common stock of Armour from the Haugens; and

WHEREAS, Haugen is a principal shareholder of Armour, and Armour is the sole shareholder of Bridgewater, and Haugen's knowledge of and contacts within the Companies' relevant trade area are such that MJD is unwilling to enter into the Purchase Agreement in the absence of Haugen's entry into, and full compliance with, this Agreement.

NOW, THEREFORE, in consideration of and as an inducement to MJD's entering into the Purchase Agreement and the transactions contemplated thereby, the payment of the consideration recited herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Haugen hereby undertakes and agrees as follows:

1. Except as expressly specified in Paragraph 2 below, Haugen will not, without the prior clear and affirmative advance written approval of the Companies and MJD, directly or indirectly engage, or attempt to engage, in any of the "Restricted Activities" with respect to the "Restricted Businesses" within the "Restricted Territory" during the "Restricted Period." The terms "Restricted Activities," "Restricted Businesses," "Restricted Territory" and "Restricted Period" are defined in Paragraphs 1(a) through 1(d) below.
 - (a) Restricted Activities. The term "Restricted Activities" shall mean direct or indirect participation by Haugen or an Affiliate of Haugen in the:

- (1) formation, ownership, control, management or operation, in whole or in part, of any entity which engages in one or more of the "Restricted Businesses" within the "Restricted Territory"; and/or advising, providing consulting services to, or otherwise assisting such entity in the analysis or development of business opportunities and/or the solicitation of customers with respect to one or more of the "Restricted Businesses" within the "Restricted Territory"; or
 - (2) employment, engagement, solicitation for potential employment or engagement, or assistance in the employment, engagement or solicitation for potential employment or engagement, by any third party, of any person who, on the Effective Date or thereafter, is employed or engaged as an agent, consultant or independent contractor by any of the Companies or MJD. Notwithstanding anything in this Agreement to the contrary, the restrictions set forth in this subparagraph 1(a)(2) shall apply regardless of whether such third party is located inside or outside of the Restricted Territory.
- (b) Restricted Businesses. The term "Restricted Businesses" shall encompass the offering, marketing, sale or provision of any telecommunications, enhanced or information service within the Restricted Territory to any existing or future customer of the Companies. The prohibited telecommunications, enhanced or information services include the following named services (whether offered on a retail or wholesale basis, and whether provided on a facilities-based or resale basis), plus any existing or future service which becomes capable of substitution for one or more of the named services during the Restricted Period:
- (1) Wireline local exchange and exchange access services;
 - (2) Wireless local loop and access services;
 - (3) Wireless mobility services (including analog and digital cellular, PCS, SMR, satellite and paging services);
 - (4) Wireline or wireless Internet access services;
 - (5) Competitive local exchange carrier services;
 - (6) Interstate and intrastate toll services;

- 7-4-65
- (7) Video conferencing and conference calling services;
 - (8) Voice and electronic mail services;
 - (9) Facsimile and data services;
 - (10) Directory and operator assistance services;
 - (11) Prepaid calling cards and other prepaid telecommunications and information services; and
 - (12) Customer premises equipment and inside wiring maintenance services.

For purposes of this Agreement, any Person shall be deemed an existing or future customer of the Companies if such Person has a business or residence located within the Restricted Territory.

- (c) Restricted Territory. The term "Restricted Territory" shall include any and all locations which as of the Effective Date are within any of the exchange areas of the Companies, as defined by the South Dakota Public Utilities Commission, and any and all locations within twenty-five (25) miles beyond the boundaries of any such exchange areas.
- (d) Restricted Period. The term "Restricted Period" shall be a period of three (3) consecutive years, commencing with the Effective Date.
- (e) Affiliate. The term "Affiliate" shall mean, with regard to any Person, any Person which, directly or indirectly controls, is controlled by, or is under common control with, such Person and, with respect to any Person who is an individual, the spouse, ancestors and descendants (lineal or by marriage) thereof. "Control" (including, with correlative meaning, the terms "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by Contract or otherwise.
- (f) Person. The term "Person" shall mean any corporation, partnership, joint venture, organization, entity, authority or natural person, together with any and all heirs, successors, representatives and assigns thereof.

2. Notwithstanding anything to the contrary herein, Haugen may, without further written consent from the Companies or KTD, participate in the formation, ownership, control, management and operation of any businesses established within the Restricted Territory by the AMS LMS Joint Venture, or its successor(s) or assign(s), under the authority of its licensed A-Block LMS facilities in the Sioux Falls, South Dakota and Mitchell, South Dakota Basic Trading Areas.
3. Haugen shall not, directly or indirectly, at any and all times hereafter, use, divulge or make available to any person, any confidential information or any documents, files or other papers concerning the business of the Companies, except for such disclosure which is consented to in writing in advance by KTD, or otherwise required by applicable law or regulations.
4. As consideration for the foregoing restrictions, (in addition to KTD's execution of the Purchase Agreement), KTD shall pay Haugen the principal sum of [REDACTED] (the "Noncompete Payment"). The Noncompete Payment shall be payable in three (3) equal annual installments of [REDACTED] each, payable on the first (1st), second (2nd) and third (3rd) anniversaries of the Effective Date, respectively, subject to the provisions hereof. The Noncompete Payment may be prepaid in part or in full at any time by KTD, in its sole discretion, without penalty or premium.
5. Without limiting its other rights and remedies, KTD shall be entitled to set off, against all sums otherwise due and payable hereunder, all amounts with respect to which KTD is entitled to indemnification pursuant to the terms of the Purchase Agreement, and all damages to KTD or the Companies resulting from Haugen's breach of any covenant contained herein. KTD shall notify Haugen of any such sums to be set off, specifying the basis for such set off and the amount thereof.
6. In the event of any breach by Haugen of any provision contained herein, the Restricted Period shall, to the extent permitted by law, be extended by any period of time during which (i) such breach continues, or (ii) there is pending litigation in which KTD is seeking to enforce the terms of this Agreement.
7. Except as otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Purchase Agreement. In the event that any provision contained herein is held to be invalid, prohibited or unenforceable because of the scope, duration or area of its

applicability or for other reasons, such provision shall be ineffective only to the extent of such invalidity, prohibition or unenforceability, without invalidating the remaining provisions hereof. No narrowed construction, court-modification or invalidation of any provision hereof shall affect the construction, legality, validity or enforceability of any other provision hereof.

8. Haugen acknowledges that the Companies and MJD will be irreparably damaged if the provisions hereof are not specifically enforced, and agrees that either or both of the Companies and/or MJD shall be entitled to an injunction restraining any violation or attempted violation of this Agreement (without any bond or other security being required), or any other appropriate decree of specific performance. Such remedies shall not be exclusive and shall be in addition to any other remedy which the Companies and/or MJD may have.
9. This Agreement shall be governed and construed in accordance with the laws of the State of North Carolina. This Agreement shall inure to the benefit of the Companies and MJD and their successors and assigns. The terms hereof may not be modified or terminated except by a writing signed by the Companies, MJD and Haugen.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned have executed this Agreement effective as of the date first set forth above.

_____(SEAL)
WILLIAM G. HAUGEN, SR.

ARMOUR INDEPENDENT TELEPHONE CO.

ATTEST:

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

BRIDGEWATER-CANISTOTA INDEPENDENT
TELEPHONE CO.

ATTEST:

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

MJD SERVICES CORP.

ATTEST:

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

NONCOMPETITION AGREEMENT

THIS NONCOMPETITION AGREEMENT (the "Agreement") is made effective as of the day of , 199 (the "Effective Date"), by and between WILLIAM G. HAUGEN, JR., a resident of the State of South Dakota ("Haugen"), ARMOUR INDEPENDENT TELEPHONE CO., a South Dakota corporation ("Armour"), BRIDGEWATER-CANISTOTA INDEPENDENT TELEPHONE CO., a South Dakota corporation ("Bridgewater") (Armour and Bridgewater referred to collectively as "the Companies") and KTD SERVICES CORP., a Delaware corporation ("KTD").

W I T N E S S E T H:

WHEREAS, pursuant to that certain Stock Purchase Agreement of even date herewith (the "Purchase Agreement") by and among the Companies, KTD, William G. Haugen, Sr., Marilyn M. Haugen, and William G. Haugen, Jr. (collectively, the "Haugens"), KTD is purchasing all of the outstanding common stock of Armour from the Haugens; and

WHEREAS, Haugen is a principal shareholder of Armour, and Armour is the sole shareholder of Bridgewater, and Haugen's knowledge of and contacts within the Companies' relevant trade areas are such that KTD is unwilling to enter into the Purchase Agreement in the absence of Haugen's entry into, and full compliance with, this Agreement.

NOW, THEREFORE, in consideration of and as an inducement to KTD's entering into the Purchase Agreement and the transactions contemplated thereby, the payment of the consideration recited herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Haugen hereby undertakes and agrees as follows:

1. Except as expressly specified in Paragraph 2 below, Haugen will not, without the prior clear and affirmative advance written approval of the Companies and KTD, directly or indirectly engage, or attempt to engage, in any of the "Restricted Activities" with respect to the "Restricted Businesses" within the "Restricted Territory" during the "Restricted Period." The terms "Restricted Activities," "Restricted Businesses," "Restricted Territory" and "Restricted Period" are defined in Paragraphs 1(a) through 1(d) below.

- a) Restricted Activities. The term "Restricted Activities" shall mean direct or indirect participation by Haugen or an Affiliate of Haugen in the:

- (1) formation, ownership, control, management or operation, in whole or in part, of any entity which engages in one or more of the "Restricted Businesses" within the "Restricted Territory"; and/or advising, providing consulting services to, or otherwise assisting such entity in the analysis or development of business opportunities and/or the solicitation of customers with respect to one or more of the "Restricted Businesses" within the "Restricted Territory"; or
- (2) employment, engagement, solicitation for potential employment or engagement, or assistance in the employment, engagement or solicitation for potential employment or engagement, by any third party, of any person who, on the Effective Date or thereafter, is employed or engaged as an agent, consultant or independent contractor by any of the Companies or MJD. Notwithstanding anything in this Agreement to the contrary, the restrictions set forth in this subparagraph 1(a)(2) shall apply regardless of whether such third party is located inside or outside of the Restricted Territory.
- (b) Restricted Businesses. The term "Restricted Businesses" shall encompass the offering, marketing, sale or provision of any telecommunications, enhanced or information service within the Restricted Territory to any existing or future customer of the Companies. The prohibited telecommunications, enhanced or information services include the following named services (whether offered on a retail or wholesale basis, and whether provided on a facilities-based or resale basis), plus any existing or future service which becomes capable of substitution for one or more of the named services during the Restricted Period:
- (1) Wireline local exchange and exchange access services;
 - (2) Wireless local loop and access services;
 - (3) Wireless mobility services (including analog and digital cellular, PCS, SMR, satellite and paging services);
 - (4) Wireline or wireless Internet access services;
 - (5) Competitive local exchange carrier services;
 - (6) Interstate and intrastate toll services;

- (7) Video conferencing and conference calling services;
- (8) Voice and electronic mail services;
- (9) Facsimile and data services;
- (10) Directory and operator assistance services;
- (11) Prepaid calling cards and other prepaid telecommunications and information services; and
- (12) Customer premises equipment and inside wiring maintenance services.

For purposes of this Agreement, any Person shall be deemed an existing or future customer of the Companies if such Person has a business or residence located within the Restricted Territory.

- (c) Restricted Territory. The term "Restricted Territory" shall include any and all locations which as of the Effective Date are within any of the exchange areas of the Companies, as defined by the South Dakota Public Utilities Commission, and any and all locations within twenty-five (25) miles beyond the boundaries of any such exchange areas.
- (d) Restricted Period. The term "Restricted Period" shall be a period of three (3) consecutive years, commencing with the Effective Date.
- (e) Affiliate. The term "Affiliate" shall mean, with regard to any Person, any Person which, directly or indirectly controls, is controlled by, or is under common control with, such Person and, with respect to any Person who is an individual, the spouse, ancestors and descendants (lineal or by marriage) thereof. "Control" (including, with correlative meaning, the terms "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by Contract or otherwise.
- (f) Person. The term "Person" shall mean any corporation, partnership, joint venture, organization, entity, authority or natural person, together with any and all heirs, successors, representatives and assigns thereof.

2. Notwithstanding anything to the contrary herein, Haugen may, without further written consent from the Companies or MJD, participate in the formation, ownership, control, management and operation of any businesses established within the Restricted Territory by the ABS LINDS Joint Venture, or its successor(s) or assign(s), under the authority of its licensed A-Block LINDS facilities in the Sioux Falls, South Dakota and Mitchell, South Dakota Basic Trading Areas.
3. Haugen shall not, directly or indirectly, at any and all times hereafter, use, divulge or make available to any Person, any confidential information or any documents, files or other papers concerning the business of the Companies, except for such disclosure which is consented to in writing in advance by MJD, or otherwise required by applicable law or regulations.
4. As consideration for the foregoing restrictions, (in addition to MJD's execution of the Purchase Agreement), MJD shall pay Haugen the principal sum of [REDACTED] (the "Noncompete Payment"). The Noncompete Payment shall be payable in Three (3) equal annual installments of [REDACTED] each, payable on the first (1st), second (2nd) and third (3rd) anniversaries of the Effective Date, respectively, subject to the provisions hereof. The Noncompete Payment may be prepaid in part or in full at any time by MJD, in its sole discretion, without penalty or premium.
5. Without limiting its other rights and remedies, MJD shall be entitled to set off, against all sums otherwise due and payable hereunder, all amounts with respect to which MJD is entitled to indemnification pursuant to the terms of the Purchase Agreement, and all damages to MJD or the Companies resulting from Haugen's breach of any covenant contained herein. MJD shall notify Haugen of any such sums to be set off, specifying the basis for such set off and the amount thereof.
6. In the event of any breach by Haugen of any provision contained herein, the Restricted Period shall, to the extent permitted by law, be extended by any period of time during which (i) such breach continues, or (ii) there is pending litigation in which MJD is seeking to enforce the terms of this Agreement.
7. Except as otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Purchase Agreement. In the event that any provision contained herein is held to be invalid, prohibited or unenforceable because of the scope, duration or area of its

applicability or for other reasons, such provision shall be ineffective only to the extent of such invalidity, prohibition or unenforceability, without invalidating the remaining provisions hereof. No narrowed construction, court-modification or invalidation of any provision hereof shall affect the construction, legality, validity or enforceability of any other provision hereof.

8. Haugen acknowledges that the Companies and MJD will be irreparably damaged if the provisions hereof are not specifically enforced, and agrees that either or both of the Companies and/or MJD shall be entitled to an injunction restraining any violation or attempted violation of this Agreement (without any bond or other security being required), or any other appropriate decree of specific performance. Such remedies shall not be exclusive and shall be in addition to any other remedy which the Companies and/or MJD may have.
9. This Agreement shall be governed and construed in accordance with the laws of the State of North Carolina. This Agreement shall inure to the benefit of the Companies and MJD and their successors and assigns. The terms hereof may not be modified or terminated except by a writing signed by the Companies, MJD and Haugen.

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IN WITNESS WHEREOF, the undersigned have executed this Agreement effective as of the date first set forth above.

_____(SEAL)
WILLIAM G. HAUGEN, JR.

ARMOUR INDEPENDENT TELEPHONE CO.

ATTEST:

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

BRIDGEMATER-CANISTOTA INDEPENDENT
TELEPHONE CO.

ATTEST:

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

NJD SERVICES CORP.

ATTEST:

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

NONCOMPETITION AGREEMENT IT

THIS NONCOMPETITION AGREEMENT (the "Agreement") is made effective as of the _____ day of _____, 199__ (the "Effective Date"), by and between MARILYN M. HAUGEN, a resident of the State of South Dakota ("Haugen"), ARMOUR INDEPENDENT TELEPHONE CO., a South Dakota corporation ("Armour"), BRIDGEWATER-CANISTOTA INDEPENDENT TELEPHONE CO., a South Dakota corporation ("Bridgewater") (Armour and Bridgewater referred to collectively as "the Companies") and MJD SERVICES CORP., a Delaware corporation ("MJD").

W I T N E S S E T H:

WHEREAS, pursuant to that certain Stock Purchase Agreement of even date herewith (the "Purchase Agreement") by and among the Companies, MJD, William G. Haugen, Sr., Marilyn M. Haugen, and William G. Haugen, Jr. (collectively, the "Haugens"), MJD is purchasing all of the outstanding common stock of Armour from the Haugens; and

WHEREAS, Haugen is a principal shareholder of Armour, and Armour is the sole shareholder of Bridgewater, and Haugen's knowledge of and contacts within the Companies' relevant trade area are such that MJD is unwilling to enter into the Purchase Agreement in the absence of Haugen's entry into, and full compliance with, this Agreement.

NOW, THEREFORE, in consideration of and as an inducement to MJD's entering into the Purchase Agreement and the transactions contemplated thereby, the payment of the consideration recited herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Haugen hereby undertakes and agrees as follows:

1. Except as expressly specified in Paragraph 2 below, Haugen will not, without the prior clear and affirmative advance written approval of the Companies and MJD, directly or indirectly engage, or attempt to engage, in any of the "Restricted Activities" with respect to the "Restricted Businesses" within the "Restricted Territory" during the "Restricted Period." The terms "Restricted Activities," "Restricted Businesses," "Restricted Territory" and "Restricted Period" are defined in Paragraphs 1(a) through 1(d) below.

- (a) Restricted Activities. The term "Restricted Activities" shall mean direct or indirect participation by Haugen or an Affiliate of Haugen in the:

- (1) formation, ownership, control, management or operation, in whole or in part, of any entity which engages in one or more of the "Restricted Businesses" within the "Restricted Territory"; and/or advising, providing consulting services to, or otherwise assisting such entity in the analysis or development of business opportunities and/or the solicitation of customers with respect to one or more of the "Restricted Businesses" within the "Restricted Territory"; or
- (2) employment, engagement, solicitation for potential employment or engagement, or assistance in the employment, engagement or solicitation for potential employment or engagement, by any third party, of any person who, on the Effective Date or thereafter, is employed or engaged as an agent, consultant or independent contractor by any of the Companies or MJD. Notwithstanding anything in this Agreement to the contrary, the restrictions set forth in this subparagraph 1(a)(2) shall apply regardless of whether such third party is located inside or outside of the Restricted Territory.

(b) Restricted Businesses. The term "Restricted Businesses" shall encompass the offering, marketing, sale or provision of any telecommunications, enhanced or information service within the Restricted Territory to any existing or future customer of the Companies. The prohibited telecommunications, enhanced or information services include the following named services (whether offered on a retail or wholesale basis, and whether provided on a facilities-based or resale basis), plus any existing or future service which becomes capable of substitution for one or more of the named services during the Restricted Period:

- (1) Wireline local exchange and exchange access services;
- (2) Wireless local loop and access services;
- (3) Wireless mobility services (including analog and digital cellular, PCS, SMR, satellite and paging services);
- (4) Wireline or wireless Internet access services;
- (5) Competitive local exchange carrier services;
- (6) Interstate and intrastate toll services;

- (7) Video conferencing and conference calling services;
- (8) Voice and electronic mail services;
- (9) Facsimile and data services;
- (10) Directory and operator assistance services;
- (11) Prepaid calling cards and other prepaid telecommunications and information services; and
- (12) Customer premises equipment and inside wiring maintenance services.

For purposes of this Agreement, any Person shall be deemed an existing or future customer of the Companies if such Person has a business or residence located within the Restricted Territory.

- (c) Restricted Territory. The term "Restricted Territory" shall include any and all locations which as of the Effective Date are within any of the exchange areas of the Companies, as defined by the South Dakota Public Utilities Commission, and any and all locations within twenty-five (25) miles beyond the boundaries of any such exchange areas.
- (d) Restricted Period. The term "Restricted Period" shall be a period of three (3) consecutive years, commencing with the Effective Date.
- (e) Affiliate. The term "Affiliate" shall mean, with regard to any Person, any Person which, directly or indirectly controls, is controlled by, or is under common control with, such Person and, with respect to any Person who is an individual, the spouse, ancestors and descendants (lineal or by marriage) thereof. "Control" (including, with correlative meaning, the terms "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by Contract or otherwise.
- (f) Person. The term "Person" shall mean any corporation, partnership, joint venture, organization, entity, authority or natural person, together with any and all heirs, successors, representatives and assigns thereof.

2. Notwithstanding anything to the contrary herein, Haugen may, without further written consent from the Companies or KTD, participate in the formation, ownership, control, management and operation of any businesses established within the Restricted Territory by the ABS LKDS Joint Venture, or its successor(s) or assign(s), under the authority of its licensed A-Block LKDS facilities in the Sioux Falls, South Dakota and Mitchell, South Dakota Basic Trading Areas.
3. Haugen shall not, directly or indirectly, at any and all times hereafter, use, divulge or make available to any person, any confidential information or any documents, files or other papers concerning the business of the Companies, except for such disclosure which is consented to in writing in advance by KTD, or otherwise required by applicable law or regulations.
4. As consideration for the foregoing restrictions, (in addition to KTD's execution of the Purchase Agreement), KTD shall pay Haugen the principal sum of [REDACTED] (the "Noncompete Payment"). The Noncompete Payment shall be payable in Three (3) equal annual installments of [REDACTED] each, payable on the first (1st), second (2nd) and third (3rd) anniversaries of the Effective Date, respectively, subject to the provisions hereof. The Noncompete Payment may be prepaid in part or in full at any time by KTD, in its sole discretion, without penalty or premium.
5. Without limiting its other rights and remedies, KTD shall be entitled to set off, against all sums otherwise due and payable hereunder, all amounts with respect to which KTD is entitled to indemnification pursuant to the terms of the Purchase Agreement, and all damages to KTD or the Companies resulting from Haugen's breach of any covenant contained herein. KTD shall notify Haugen of any such sums to be set off, specifying the basis for such set off and the amount thereof.
6. In the event of any breach by Haugen of any provision contained herein, the Restricted Period shall, to the extent permitted by law, be extended by any period of time during which (i) such breach continues, or (ii) there is pending litigation in which KTD is seeking to enforce the terms of this Agreement.
7. Except as otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Purchase Agreement. In the event that any provision contained herein is held to be invalid, prohibited or unenforceable because of the scope, duration or area of its

applicability or for other reasons, such provision shall be ineffective only to the extent of such invalidity, prohibition or unenforceability, without invalidating the remaining provisions hereof. No narrowed construction, court-modification or invalidation of any provision hereof shall affect the construction, legality, validity or enforceability of any other provision hereof.

8. Haugen acknowledges that the Companies and MJD will be irreparably damaged if the provisions hereof are not specifically enforced, and agrees that either or both of the Companies and/or MJD shall be entitled to an injunction restraining any violation or attempted violation of this Agreement (without any bond or other security being required), or any other appropriate decree of specific performance. Such remedies shall not be exclusive and shall be in addition to any other remedy which the Companies and/or MJD may have.
9. This Agreement shall be governed and construed in accordance with the laws of the State of North Carolina. This Agreement shall inure to the benefit of the Companies and MJD and their successors and assigns. The terms hereof may not be modified or terminated except by a writing signed by the Companies, MJD and Haugen.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned have executed this Agreement effective as of the date first set forth above.

_____(SEAL)
MARILYN M. HAUGEN

ARMOUR INDEPENDENT TELEPHONE CO.

ATTEST:

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

BRIDGEMATER-CANISTOTA INDEPENDENT
TELEPHONE CO.

ATTEST:

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

MJD SERVICES CORP.

ATTEST:

By: _____
Title: _____

(Corporate Seal)

By: _____
Title: _____

EXHIBIT E

UNDERWOOD KINSEY WARREN & TUCKER, P.A.

ATTORNEYS AT LAW
CHARLOTTE PLAZA BUILDING, SUITE 2000
201 SOUTH COLLEGE STREET
CHARLOTTE, NORTH CAROLINA 28204-8828

RUSSELL M. BLACK
EMERILY E. DAVENPORT CONNELSON
RICHARD L. FARLEY
C. RALPH KINSEY, JR.
SHIRLEY J. LIPP
JOHN H. MONTGOMERY III
FRANCIS M. PICKNEY III
CARLTON A. RICHMOND, JR.
WILLIAM L. SUTTON, JR.
SCOTT L. SOWELL
ROBERT S. TUCKER, JR.
WILLIAM E. UNDERWOOD, JR.
KIMBERLY WARREN III

TELEPHONE
704-525-1200

FACSIMILE
704-377-6888

_____, 1999

William G. Haugen, Sr.
Marilyn M. Haugen
William G. Haugen, Jr.

Ladies and Gentlemen:

We have acted as counsel to EJD Services Corp., a Delaware corporation ("EJD" or the "Purchaser"), in connection with the purchase by the Purchaser from each of you (collectively, the "Sellers") of all of the issued and outstanding common stock of Armour Independent Telephone Co. (the "Company"), pursuant to a Stock Purchase Agreement entered into as of December __, 1998 (the "Purchase Agreement") by, between and among the Purchaser, the Company, Bridgewater-Cahistota Independent Telephone Co. and the Sellers.

This opinion is being delivered to you pursuant to Section 9.9 of the Purchase Agreement. Capitalized terms used herein which are not otherwise defined herein shall have the meanings set forth in the Purchase Agreement.

In connection with this transaction, we have reviewed the Articles of Incorporation and Bylaws (the "Organizational Documents") of the Purchaser, the Purchase Agreement and such other instruments and documents as are executed and delivered pursuant to the Purchase Agreement, and have examined such other records and information and have conducted such other investigations as we have

WWT: STW-1

deemed necessary to render the opinions set forth below. As to facts material to our opinion, we have relied upon the factual representations of the Purchaser in the Purchase Agreement, certificates from certain state authorities and on those certificates delivered at Closing.

We have assumed the conformity of all copies to the originals of all documents reviewed by us, the genuineness of all signatures (other than those of the shareholders, directors and officers of the Purchaser) and the authenticity of all documents submitted to us (whether originals or copies).

For the purposes of our opinion, we have assumed that the Purchase Agreement and all other instruments and documents executed and delivered pursuant thereto have been duly authorized, executed and delivered by all of the parties thereto other than the Purchaser.

Whenever a statement herein is qualified by the phrases "known to us" or "to our knowledge", or similar phrases, it is intended to indicate that during the course of our representation of the Purchaser and the transactions contemplated by the Purchase Agreement, and having made inquiry of certain officers of the Purchaser as to such matters, no information that would give us actual knowledge of the inaccuracy of such statement has come to our attention. However, we have not undertaken any independent investigation or review to determine the accuracy of any such statement. No inference as to our knowledge of any matters bearing on the accuracy of any such statement should be drawn from our representation of the Purchaser.

Based upon the foregoing, and subject to the assumptions and qualifications herein set forth, it is our opinion that:

1. MJD is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware with full corporate power and authority to carry on the business in which it is engaged, to own, lease and operate its properties, and to enter into and to perform its obligations under the Purchase Agreement.

2. The execution and delivery of the Purchase Agreement was duly authorized and approved by the Board of Directors of MJD. The Purchase Agreement is a valid and binding obligation of MJD enforceable in accordance with its terms, except that (i) such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to creditors' rights in the event of future bankruptcy, insolvency or reorganization of the Purchaser, and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought. All persons who have executed the Purchase Agreement on behalf of MJD have been duly authorized to do so by all necessary corporate action.

3. To our knowledge, MJD has given all notices to and has obtained from all state and federal regulatory authorities any approvals, consents, permits and authorizations required in order to consummate the transactions contemplated in the Purchase Agreement.

The opinions expressed herein are based upon and limited to matters governed by the laws of the State of North Carolina and the State of Delaware, and we express no opinion as to any matter governed by the laws of any other jurisdiction. We are not authorized to practice law in the State of Delaware and the opinions set forth herein are rendered solely upon our review of applicable provisions of Delaware corporation law as currently published in standard compilations and such consultations with Delaware local counsel as we have deemed necessary or appropriate.

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention or any changes in laws which may hereafter occur. This opinion is limited to matters herein, and no opinion may be inferred or implied beyond the matters expressly stated herein.

This opinion is being furnished to you in connection with the transactions contemplated by the Purchase Agreement. This opinion is solely for your benefit and is not to be used, circulated, quoted or otherwise referred to for any other purpose nor relied upon by any other person or entity without our prior written consent.

Finally, the opinions expressed herein represent our reasonable judgment as to the matters of law addressed herein, based upon the facts presented or assumed, and are not, and should not be construed or considered as, a guaranty.

Very truly yours,

UNDERWOOD KINSEY WARREN & TUCKER, P.A.

(Letterhead of Davenport, Evans, Hurwitz & Smith, L.L.P.)

_____, 1999

MJD Services Corp.
521 East Morehead Street
Suite 250
Charlotte, NC 28202

Re: William G. Haugen, Sr., Marilyn M. Haugen, William G. Haugen, Jr.
and Armour Independent Telephone Co.

Ladies and Gentlemen:

We have served as counsel to Armour Independent Telephone Co. and its subsidiary, Bridgewater-Canistota Independent Telephone Co. (collectively the "Company"), each a South Dakota corporation, in connection with the preparation, execution and delivery of the Stock Purchase Agreement dated as of December 24, 1998 (the "Agreement"), among MJD Services Corp. ("MJD"), the Company, William G. Haugen, Sr., Marilyn M. Haugen, and William G. Haugen, Jr., the holders of all of the issued and outstanding common stock of the Company (the Haugens hereinafter referred to collectively as the "Shareholders"), relating to the purchase of the shares of common stock of Armour Independent Telephone Co. owned by the Shareholders (the "Shares"). We have also served as counsel to the Shareholders in connection with the transactions contemplated by the Agreement. This opinion is delivered to you pursuant to Section 10.11 of the Agreement. All capitalized terms used herein have the meaning assigned to them in the Agreement except as otherwise provided herein.

In connection with the opinions expressed below, we have examined and are familiar with originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records and other writings of the Company and the Shareholders, certificates of public officials or officers of the Company and the Shareholders, and such other documents and writings as we have deemed necessary or appropriate for the opinions hereinafter expressed.

In making such examination and rendering the opinions set forth below, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity of authentic original documents of all documents submitted to us as certified, conformed or photostatic copies, and the authenticity of the originals of such documents and the legal capacity of all natural persons.

For the purposes of our opinion, we have assumed that the Purchase Agreement and all other instruments and documents executed and delivered pursuant thereto have been duly authorized, executed and delivered by all of the parties thereto other than the Shareholders.

Whenever a statement herein is qualified by the phrases "known to us" or "to our knowledge", or similar phrases, it is intended to indicate that during the course of our representation of the Shareholders and the transactions contemplated by the Purchase Agreement, and having made inquiry of certain officers of the Company as to such matters, no information that would give us actual knowledge of the inaccuracy of such statement has come to our attention. However, we have not undertaken any independent investigation or review to determine the accuracy of any such statement. No inference as to our knowledge of any matters bearing on the accuracy of any such statement should be drawn from our representation of the Shareholders.

Our opinions as hereinafter expressed are subject to the following qualifications:

1. Our opinions are subject to the effect of bankruptcy, fraudulent conveyance, insolvency, reorganization, arrangement, moratorium and other similar laws;
2. Our opinions are subject to limitations imposed by laws and judicial decisions relating to or affecting the rights of creditors or secured creditors generally, or general principles of equity (regardless of whether enforcement is considered in proceedings at law or in equity) upon the enforceability of any of the remedies, covenants and other provisions of the Agreement and upon the availability of injunctive relief or other equitable remedies;
3. We express no opinion as to the creation or enforceability of security interests or as to the recoverability of attorneys' fees and legal expenses;
4. We express no opinion as to the laws or the effect or applicability of the laws of any jurisdiction other than the laws of the State of South Dakota or the United States of America;

5. The opinions expressed herein are as of the date hereof, and we undertake no responsibility to advise you of changes occurring after the date of this letter.

Based upon the foregoing and subject to further assumptions, limitations and qualifications set forth below, we are of the opinion that:

a. Armour Independent Telephone Co. and Bridgewater-Canistota Independent Telephone Co. are each a corporation duly incorporated, validly existing and in good standing under the laws of the State of South Dakota with full corporate power and authority to carry on the business in which it is presently engaged and to own, lease and operate its properties as now being conducted and to perform its obligations under the Agreement.

b. The execution and delivery of the Agreement has been duly authorized and approved by the Shareholders and the board of directors of the Company. The Agreement is a valid and binding obligation of the Company and the Shareholders, enforceable in accordance with its terms, subject to limitations and qualifications noted above. All persons who have executed this Agreement on behalf of the Company have been duly authorized to do so by all necessary action.

c. The authorized capital stock of Armour Independent Telephone Co. consists of _____ shares of _____ per value common stock, of which Two Thousand Three Hundred Thirty (2,330) shares are issued and outstanding (the "Armour Common Stock"), and _____ shares of _____ per value preferred stock, of which Two Hundred (200) shares are issued and outstanding (the "Armour Preferred Stock"). Armour Independent Telephone Co. has no other class of stock authorized or issued and outstanding. All of the issued and outstanding shares of the Armour Common Stock and of the Armour Preferred Stock are duly and validly issued and outstanding, are fully paid and nonassessable, were issued in material compliance with all state and federal laws and are held of record as follows:

<u>Shareholder</u>	<u>Number of Shares/Class</u>	<u>Certificate Number</u>
William G. Haugen, Sr.	776.7, Common	101, 106 and 111
Marilyn M. Haugen	776.6, Common	102, 107 and 112
William G. Haugen, Jr.	776.7, Common	103 and 108
Union Telephone Company	200, Preferred	501

The delivery by the Shareholders to MJD at closing of certificates representing the Armour Common Stock will pass good and marketable title to all of the Armour Common Stock to MJD free and clear of all liens, encumbrances, claims, restrictions and equities of any kind. There are no outstanding warrants, options, rights, puts, calls or other commitments of any nature relating to the Armour Common Stock or to the Armour Preferred Stock, and there are no outstanding securities or debt obligations of Armour Independent Telephone Co. convertible into shares of capital stock of Armour Independent Telephone Co. None of the issued and outstanding shares of capital stock of Armour Independent Telephone Co. were issued in violation of preemptive rights or, to the extent any shares were issued in violation of preemptive rights, such rights have been waived.

(d) Bridgewater-Canisota Independent Telephone Co. is a subsidiary of Armour Independent Telephone Co. Armour Independent Telephone Co. has no other subsidiaries, whether wholly or partially owned. The authorized capital stock of Bridgewater-Canisota Independent Telephone Co. consists of [redacted] shares of [redacted] par value common stock, of which Ten Thousand (10,000) shares are issued and outstanding (the "Bridgewater Common Stock"). Bridgewater-Canisota Independent Telephone Co. has no other class of stock authorized or issued and outstanding. All of the issued and outstanding shares of the Bridgewater Common Stock are duly and validly issued and outstanding, are fully paid and nonassessable, were issued in full compliance with all state and federal laws and are held of record as follows:

Shareholder	Number of Shares/Class	Certificate Number
Armour Independent Telephone Co.	10,000, Common	6 and 9

The delivery by the Shareholders to MJD at closing of certificates representing the Armour Common Stock will pass good and marketable title to all of the Bridgewater Common Stock to MJD free and clear of all liens, encumbrances, claims, restrictions and equities of any kind, except for the pledge in favor of the Rural Telephone Finance Cooperative which creates a first lien on 9,995 of the shares. There are no outstanding warrants, options, rights, puts, calls or other commitments of any nature relating to the Bridgewater Common Stock, and there are no outstanding securities or debt obligations of Bridgewater-Canisota Independent Telephone Co. convertible into shares of capital stock of Bridgewater-Canisota Independent Telephone Co. None of the issued and outstanding shares of capital stock of Bridgewater-Canisota Independent Telephone Co. were issued in violation of preemptive rights or, to the extent any shares were issued in violation of preemptive rights, such rights have been waived.

(e) Except as disclosed in the Agreement and the schedules attached thereto, the execution, delivery and performance of the Agreement and the consummation of the transactions contemplated by the Agreement will not: (i) violate or result in a breach of or default or acceleration under the Articles of Incorporation or By-Laws of the Company or any instrument or agreement to which the Company or the Shareholders are a party or are bound which would have a material adverse effect on the Company's properties or operations; (ii) violate any judgment, order, injunction, decree or award against or binding upon the Company or the Shareholders or upon the Armour Common Stock, the Armour Preferred Stock, the Bridgewater Common Stock or other securities, property or business of the Company which would have a material adverse effect on the Company's properties or operations; (iii) result in the creation of any material lien, charge or encumbrance upon the properties or assets of the Company or the Armour Common stock, the Armour Preferred Stock or the Bridgewater Common Stock; or (iv) violate any law or regulation of any jurisdiction relating to the Company or the Shareholders or the Armour Common stock, the Armour Preferred Stock, the Bridgewater Common Stock or other securities, property or business of the Company, assuming all required regulatory approvals have been obtained in connection with the transactions contemplated by the Agreement. Without limiting the foregoing, the transfer of the Company's Cellular Interest and the transfer of the Company's LMDS Interest, all as contemplated in the Agreement, have been completed in compliance with all applicable covenants, agreements, statutes, laws, ordinances, and regulations, and such transfers did not violate any rights of first refusal or other transfer restrictions arising under the terms of the agreements establishing and governing the operations of the South Dakota-7 Sully Limited Partnership and the ABS LMDS Joint Venture.

(f) Except as disclosed in the Agreement and the schedules attached thereto, there is no litigation, claim or proceeding, pending or threatened, against the Company or the Shareholders, or against any of their respective assets or properties, or relating to the ownership of any or all of the Armour Common Stock, the Armour Preferred Stock, the Bridgewater Common stock or which questions the validity or enforceability of the Agreement, or which could prevent, hinder or delay consummation of the Agreement or any of the transactions contemplated thereby.

(g) To our knowledge, there is not pending any threatened or existing claim, unsatisfied judgment, litigation, governmental investigation or proceeding before any court, arbitrator or federal, state or other governmental commission, board or other agency by or against the Company or the Shareholders or adversely affecting the operations or financial condition of the Company or its business, property, prospects or assets.

(h) To our knowledge, the Shareholders and the Company have given all notices to and have obtained from all local, state and federal regulatory authorities any

and all approvals, consents, permits and authorizations required in order to consummate the transactions contemplated in the Agreement. The Armour City Ordinance No. 237 and the South Dakota Public Utilities Commission Certificate listed as items 1 and 8 in the Armour section of Schedule 4.25 are validly held by Armour.

(i) Upon completion of the transactions contemplated by the Agreement, no corporation, partnership, joint venture, organization, entity, authority or natural person, or any heirs, successors, representatives or assigns thereof, other than MJD, shall have any ownership or other right in and/or to the Armour Common Stock or the Bridgewater Common Stock, except for the pledge creating a lien in favor of the Rural Telephone Finance Cooperative.

The opinions expressed herein are solely for your benefit in connection with the Agreement and, without our express written consent, neither our opinions nor this opinion letter may be assigned, quoted or relied upon for any other purpose. No other person or entity may rely upon or claim reliance upon this opinion, and it is not to be quoted in whole or in part or otherwise referred to by any governmental agency or other person or entity without prior written consent of this firm.

Finally, the opinions expressed herein represent our reasonable judgment as to the matters of law addressed herein, based upon the facts presented or assumed, and are not, and should not be construed or considered as, a guaranty.

Sincerely,

DAVENPORT, EVANS, HURWITZ &
SMITH, L.L.P.

DLK:kjh

405-10

RECEIVED

JAN 12 1999

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

ARMOUR
DISCLOSURE SCHEDULES

SCHEDULE 4.5

Director's Qualifying Shares

(a) Armour:

There are two (2) directors' qualifying shares of Armour Stock authorized of which 2 are issued and outstanding and held of record by Mildred E. Armentrout and JoAnn Harden. Ms. Armentrout and Ms. Harden have executed assignments transferring their respective qualifying shares to William G. Haugen Jr.

(b) Bridgewater:

There are five (5) directors' qualifying shares of Bridgewater Stock authorized of which 5 are issued and outstanding and held of record by William G. Haugen, Marilyn M. Haugen, William G. Haugen, Jr., Mildred E. Armentrout and JoAnn Harden. Ms. Armentrout and Ms. Harden have executed assignments transferring their respective qualifying shares to William G. Haugen Jr.

Nine Thousand Nine Hundred Ninety-five (9,995) shares of Bridgewater Common Stock held of record by Armour are held subject to the following RTFC loans to Armour:

- SD 810-A-01/800L1A
- SD 810-A-02/800L2A
- SD 810-A-03/800L3A

SCHEDULE 4.6

Armour Financial Statements

Audited consolidated financial statements for Armour for the year ending December 31, 1997, audited financial statements for Armour for the year ending December 31, 1996 and interim financial statements for Armour for the period ending June 30, 1996 have been previously provided to Buyer.

SCHEDULE 4.7

Material Changes

(a) Changes in the financial condition, assets, liabilities or operations of Armour or Bridgewater;

Assets:

- (1) Armour sold 238,000 shares of capital stock in Missouri Valley Cellular, Inc. to Cellular Inc. Network Corporation and CommNet Cellular, Inc. pursuant to a Stock Purchase Agreement dated August 26, 1998 ("Armour MVC Cellular Sale").
- (2) Armour owned a one-third (1/3) interest in an ABS LMDS Joint Venture pursuant to an ABS LMDS Joint Venture Agreement dated January 20, 1998. Armour sold its one-third (1/3) interest in the ABS LMDS Joint Venture to Haugen Properties, L.L.C. pursuant to an Assignment of ABS LMDS Joint Venture Interest dated August 1, 1998 ("Armour LMDS Sale").

Operations:

- (3) Conversion to equal access for Armour for both intraLATA and interLATA on July 15, 1998.
 - (4) Conversion to equal access for Bridgewater for intraLATA only on July 15, 1998.
- (g) Any material transaction entered into by Armour and Bridgewater other than in the ordinary course of business or any transaction or series of related transactions in the ordinary course of business (including a capital expenditure) in excess of \$25,000;
- (1) The sale of Armour and Bridgewater to MJD contemplated by the Stock Purchase Agreement has resulted in a series of transactions totalling in excess of \$25,000 attributable to payments to TELECOM Consulting Resources, Inc., Baird Holm Law Firm, Moss & Barnett Law Firm, Davenport & Evans Law Firm and James Lanham & Associates.

Armour:

- (1) See Armour LMDS Sale described in (a) above.
- (2) See Armour MVC Cellular Sale described in (a) above.
- (3) Armour has expended approximately \$31,786.10 for legal fees relating to litigation over the management of the South Dakota 7-Sully Limited Partnership ("RSA 7") in which Armour has a limited and general partnership interest. See Schedule 4.14 for a description of Armour's partnership interests in RSA 7. Armour expects to be reimbursed by CommNet Cellular for related legal expenses.

- (4) Armour has expended approximately \$196,000.00 for expenses relating to the Armour LMDS Sale of which \$183,700 was attributable to FCC licensing fees.
- (5) Armour has expended approximately \$5,000 and \$4,494.36 relating to the conversion to equal access for both intraLATA and interLATA attributable to Mitel Corporation and Mid-America Computer Corp. respectively.
- (6) Armour paid Union Telephone Company ("Union") \$61,253.08 as partial reimbursement for the \$300,000 advance Union made to Armour from its RTFC loan SD800E03 with 1% interest over the RTFC rate to fund Armour's cellular purchase.
- (7) Payment to the IRS of quarterly estimated taxes in the amount of \$45,000.
- (8) Repayment of \$65,000 advance made by Union from its RTFC revolving SD800S01 credit line with 1% interest over the RTFC rate.

Bridgewater:

- (1) Bridgewater has expended approximately \$5,142.54 relating to the conversion to equal access for intraLATA attributable to Mitel Corporation and Mid-America Computer Corp.
- (2) Debt service payments to the RTFC for approximately \$237,447.71 for SD 810-A-01/000L1A and SD 810-A-02/000L2A.
- (3) Payments for approximately \$75,096.73 relating to plant upgrade projects including Project 96-006 for the Bridgewater city cable plant (\$29,439.74) and Project 97-001 for the Canistota city cable plant (\$31,296.69).
- (4) Bridgewater paid Union \$101,592.20 as reimbursement for the advance Union made to Bridgewater.
- (5) Payment of gross receipts taxes in the amount of \$33,210.04.
- (6) Payments to Mitel Corporation for approximately \$40,787.33 of which \$3,517 and \$25,306 were attributable to Projects 97-002 and 97-003 for switch upgrades and related services.
- (7) Bridgewater received \$137,000 in 1998 from the South Dakota Department of Transportation as reimbursement for the replacement and relocation of facilities which Bridgewater booked in 1997 as an offset to its capital construction account.

SCHEDULE 4.9

Litigation

Armour is a shareholder of one of the defendants in CommNet Cellular, Inc., et al. v. Missouri Valley Cellular, Inc., et al., Arapahoe County, Colorado District Court Case No. 98 CV729. As a condition to Armour's sale of its 238,000 shares of capital stock in Missouri Valley Cellular, Inc. under a Stock Purchase Agreement dated August 26, 1998, the parties to the above-referenced action entered into a Settlement Agreement, Mutual Release and Covenant Not to Sue dated December 2, 1998.

The transaction closed December 2, 1998. The FCC granted the necessary approvals on November 19, 1998. The plaintiff filed a dismissal on December 3, 1998.

SCHEDULE 4.11

Employee Benefit Plans

- (1) Armour and Bridgewater are both considered participating employers in the standardized profit sharing plan administered by Norwest Bank South Dakota Trust Department and adopted by Union on December 11, 1991 ("Benefit Plan"). Armour and Bridgewater may each contribute up to fifteen percent (15%) of gross.
- (2) Armour and Bridgewater each provide their employees single coverage under a group health plan administered by American Medical Security of Green Bay, Wisconsin through the Benefit Plan described above. Armour and Bridgewater are responsible for employee premiums up to \$2,000/year. The employees are responsible for premiums in excess of \$2,000/year. Currently, no covered employee exceeds \$2,000/year. Employees are also responsible for premiums for family coverage.
- (3) Each participant in the group health plan described in (2) above is provided a \$15,000 term life insurance policy. Information describing the group health plan and the term life insurance policy is attached as Exhibit 1.
- (4) Each employee receives two weeks of paid personal time off each year. Unused personal time does not carry over to the next year. This benefit is not governed by a written policy.
- (5) Each employee is awarded a holiday bonus during December of each year. The amount of the bonus varies from year to year and from employee to employee, but is usually between \$150 to \$1,000.

MEDICAL SECURITY

A New Good Health

If you need assistance regarding your
 payment, call our personal service
 team at (800) 555-5555 ext 15520
 14529 ADM 148

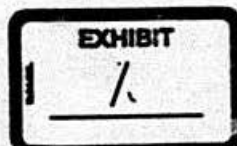
Group #: 1400-001360

Billing for August 1999
 Billed date 07 09 99
 Date Due 08 01 99

Employee Name	Medical	Drug			
FREEMARK, LORETTA M			15 000	1 00	
FREEMARK, RICHARD T	Family 357.36 CLASSIC 500 DED 80%-2500	Family 57.66	15 000	1 00	400
GARNER, ROBIN R	Employee Only 109.62 CLASSIC 500 DED 80%-2500	Employee Only 14.41	15 000	4 50	120
HAUGEN, WILLIAM G	Employee Only 87.69 CLASSIC 500 DED 80%-2500	Employee Only 14.41	15 000	4 50	100
HEIMAN, RICHARD L *	Employee Only 58.10 CLASSIC 500 DED 80%-2500	Employee Only 9.61	15 000	3 75	70
JOHNSON, DEBRA R	Employee Only 131.54 CLASSIC 500 DED 80%-2500	Employee Only 19.22	15 000	5 25	150
PAYER, THOMAS *	Employee Only 87.69 CLASSIC 500 DED 80%-2500	Employee Only 14.41	15 000	4 50	100
REGAS, FRANK R **	Employee Only 87.69 CLASSIC 500 DED 80%-2500	Employee Only 14.41	15 000	4 50	100
SCHULTE, RAY L	Employee Only 147.98 CLASSIC 500 DED 80%-2500	Employee Only 24.02	15 000	7 50	170
SLATER, RANDALL J	Employee Only 87.69 CLASSIC 500 DED 80%-2500	Employee Only 14.41	15 000	4 50	100
WATTERS, RYAN D *	Employee Only 58.10 CLASSIC 500 DED 80%-2500	Employee Only 9.61	15 000	3 75	70
JL 98	Employee Only 75.47 CLASSIC 500 DED 80%-2500	Employee Only 9.61	15 000	3 75	80

ARMOUR 106.60 + 1.81^{AC} = \$108.41
 BCIT 231.75 + 3.62^{AC} = \$235.37
 UNION 1049.74 + 14.57^{AC} = \$1114.31

Rick's Family \$109.62



Current Billed \$ 1.54
 Administrative Fee \$ 2
TOTAL AMOUNT DUE \$ 1.56

* Armour and Bridgewater employees. Thomas Payer is the only Armour employee
 ** Frank Regas is no longer an employee of Union.

CERTIFICATE OF GROUP INSURANCE

Employer/Certificateholder: UNION TELEPHONE CO
Client No.: 1400-061363
Employee/Insured Person:
Employee/Insured No.:

This certificate is not the contract for group insurance. The contract is the Master Policy, identified in the schedule of benefits. The certificate describes the principal provisions of the Policy. The benefits described in the certificate are subject to the terms of the Policy. The benefits are provided only while insurance is in force for You according to the terms of the Policy.

The Policy is available for inspection at the office of the Policyholder or at the office of the Insurance Company, during their normal business hours.

This certificate replaces all certificates that may have been previously issued to You under the Policy.

It is important that You understand the coverages being provided to You. Please read the certificate in its entirety.

IMPORTANT NOTICE CONCERNING STATEMENTS IN THE ENROLLMENT FORM (OR APPLICATION FORM) FOR YOUR INSURANCE

Please read the copy of the enrollment form (or application form) attached to your certificate. Omissions or misstatements in the form could cause an otherwise valid claim to be denied. Carefully check the form and write to American Medical Security within 10 days if any information shown on the form is not correct and complete or if any requested medical history has not been included. The insurance coverage was issued on the basis that the answers to all questions and any other material information shown on the form are correct and complete.

UNITED WISCONSIN LIFE INSURANCE COMPANY

Milwaukee, Wisconsin



President

CERTIFICATE OF GROUP INSURANCE

Master Policy No: CMH 1000

Policyholder: Trustee of American Medical Security Trust

Employer: UNION TELEPHONE CO

Client No: 1400-001363

Employee/Certificateholder:

Employee/Certificateholder No

Effective Dates:

08/01/91	Employee Life Insurance
08/01/91	Employee Accidental Death and Dismemberment Insurance
06/03/98	Employee and All Dependents Medical Insurance
06/03/98	Employee and All Dependents Prescription Drug Insurance

SCHEDULE OF BENEFITS

EMPLOYEE TERM LIFE INSURANCE.....	\$15,000.00
EMPLOYEE ACCIDENTAL DEATH AND DISMEMBERMENT INSURANCE.....	\$15,000.00

At Employee age 70, Term Life Insurance reduces to 25% of above amount and Accidental Death and Dismemberment Insurance terminates, unless the Employer is subject to comply with the Federal Age Discrimination in Employment Act.

SD CEC002001
RD0012001

RD0021141

RD0133141

RD0273001

RD0027001

RD0107001

PRECERTIFICATION PENALTY.....10% OF ELIGIBLE CHARGES TO
A MAXIMUM OF \$1000 PER
CONFINEMENT OR OCCURRENCE
INCLUDING ANY RELATED TREATMENT
SERVICES OR SUPPLIES

Individual Calendar Year Deductible.....	\$500
Family Deductible Limit.....	2 individual deductibles
Coinurance Payable by Policy.....	80% of next \$2,500 after: deductible and then 100% to end of calendar year
Out-of-Pocket Expense Limit-Per Person..	\$1,000 per calendar year
-Per Family..	\$2,000 per calendar year
Lifetime Maximum per Person.....	\$2,500,000 while insured by the Policy

Inpatient.....	80% after deductible up to \$2,500 benefit per calendar year
Outpatient.....	50% after deductible up to \$30 benefit per day and up to \$500 benefit per calendar year
Lifetime Maximum per Person.....	\$10,000 while insured by the Policy

Convalescent Care Facility Benefit.....	30 days per calendar year
Home Health Care Benefit.....	20 visits per calendar year
Hospice Care Benefit.....	see certificate

BENEFITS FOR MEDICAL INSURANCE, AND FOR EMPLOYEE WEEKLY INCOME

INSURANCE IF INCLUDED IN THE CERTIFICATE OR POLICY, ARE LIMITED FOR ANY PRE-EXISTING CONDITION THAT EXISTED DURING THE 12 MONTHS PRIOR TO THE INSURED PERSON'S EFFECTIVE DATE. COVERAGE IS NOT PROVIDED FOR ANY PRE-EXISTING CONDITION UNTIL AFTER THE PERSON HAS BEEN:

1. CONTINUOUSLY INSURED FOR 12 MONTHS UNDER THIS POLICY WITHOUT MEDICAL ATTENTION FOR THE CONDITION; OR
2. CONTINUOUSLY INSURED FOR 18 MONTHS UNDER THIS POLICY.

THIS LIMITATION DOES NOT APPLY TO A NEWBORN CHILD WHO IS INSURED ON DATE OF BIRTH.

MAXIMUM ALLOWABLE CHARGE

THE MAXIMUM ALLOWABLE CHARGE FOR MEDICAL, HOSPITAL, AND FOR DENTAL BENEFITS IF INCLUDED, IS THE PORTION OF ANY CHARGE FOR SERVICES OR SUPPLIES WHICH DOES NOT EXCEED AN AMOUNT DETERMINED BY US.

9222-5-451-8

PRESCRIPTION DRUG BENEFIT

NOTE: Your drug Deductible/Copay amount does not apply to satisfy any Out-of-Pocket Limit for Your covered medical expenses.

Each prescription or refill obtained at a pharmacy is covered for up to a maximum 34 day supply.
A separate Deductible/Copay applies for up to each 34 day supply.....55

Each prescription or refill obtained by mail is covered for up to a maximum 60 day supply.
A Separate Deductible/Copay applies for up to each 60 day supply.....57

Each prescription for a controlled substance, whether obtained at a pharmacy or by mail, is covered for up to a maximum 34 day supply.

SCHEDULE 4.14

Subsidiaries and Investments

- (1) Armour owned 238,000 shares of capital stock in Missouri Valley Cellular, Inc. ("MVC") as a result of Armour's stock ownership in MVC. Armour had a 2.97% limited partnership interest and a 13.60% general partnership interest in South Dakota 7-Sully Limited Partnership ("RSA 7").

However, pursuant to a Stock Purchase Agreement dated August 26, 1998, Armour sold its 238,000 shares in MVC to Cellular Inc. Network Corporation and CommNet Cellular, Inc. which closed December 2, 1998.

- (2) Pursuant to an ABS LMDS Joint Venture Agreement dated January 20, 1998, Armour owned a one-third (1/3) interest in the ABS LMDS Joint Venture. However, Armour assigned its one-third (1/3) interest in the ABS LMDS Joint Venture to Haugen Properties, L.L.C. pursuant to an Assignment of ABS LMDS Joint Venture Interest dated August 1, 1998. This Assignment shall be effective upon receipt of FCC approval of the Assignment.

- (3) Armour owns 2,057 shares of Express Communication, Inc. ("Express") which gives Armour a 1.835% interest in Express. Armour, along with Union, 28 other companies and 19 various subsidiaries formed Express (formerly "Independent Long Distance Company") on December 31, 1990 to offer interstate and intrastate toll services and calling cards. Armour, along with Bridgewater, entered into an Operating Agreement with Express dated January 6, 1997. Armour's interest in Express is subject to a Buy-Sell Agreement between all Express shareholders dated January 6, 1991. Information relating to Express ownership is attached as Exhibit 1.

SCHEDULE 4.14 - EXHIBIT 1

EXPRESS SHAREHOLDER INFORMATION

<u>COMPANY</u>	<u>Total Shares</u>	<u>% Ownership</u>
Armour	2,067	1.838%
Biblic	2,476	2.208%
Birchford	2,434	2.172%
Brookings	11,388	10.144%
CRST	3,080	2.748%
Falch	1,707	1.523%
Goldenwest Comm	8,980	8.022%
Golden West	14,227	12.695%
Hanson	1,988	1.783%
Interstate	8,563	7.641%
James Valley	4,067	3.620%
Jefferson	1,767	1.577%
Kannabec	1,676	1.495%
McCook	2,251	2.009%
Midstate	4,370	3.899%
Roberts County	1,808	1.435%
Sanborn	4,388	3.915%
Sioux Valley	7,180	6.416%
Split Rock	3,843	3.518%
Stockholm	1,504	1.342%
Sully Buttes	6,196	5.529%
Tri County	1,819	1.623%
Union	2,358	2.104%
Valley	3,385	3.020%
Vivian	1,414	1.262%
West River	3,042	2.714%
West River Haven	1,814	1.708%

EXHIBIT 1 - ARMOUR/BRIDGEWATER SCHEDULE 4.14

Western	2,280	2.043%
TOTAL SDN	82,766	82.766%
TOTAL NON-SDN	19,314	17.234%
Voting Shares	784,480	
SHARES -	112,070	100.000%

EXHIBIT 1 - ARMOUR/BRIDGEWATER SCHEDULE 4.14

SCHEDULE 4.15**Insurance Policies**

Below is a description of the insurance policies currently maintained by Armour and Bridgewater, together with Union and WMW Cable TV Co. ("WMW Cable"). All of the following insurance policies are held with National Farmers Union Standard Insurance Company, 11900 East Cornell Avenue, Aurora, Colorado 80014-3194. Information describing the insurance policies describe below is attached as Exhibit 1.

POLICY	LIMITS	POLICY EXPIRATION
Rural Utilities Insurance Plan - General Liability 2RU0155902	products-compl/op agg: \$1,000,000 personal & adv injury: included each occurrence: \$1,000,000 fire damage (any one fire): \$ 50,000 medical exp (any 1 person): \$ 1,000	01/01/99
Automobile Liability 2RU0155902	combined single limit: \$1,000,000	01/01/99
Excess Liability 2CB0155903	each occurrence: \$5,000,000 aggregate: \$5,000,000	01/01/99
Workers Compensation and Employer's Liability 2WC0155904	each accident: \$ 100,000 disease-policy limit: \$ 500,000 disease - each employee: \$ 100,000	01/01/99
Other/Real and Personal Property 2RU0155902	all other perit: \$2,432,000	01/01/99
Directors, Officers and Manager Insurance and Company Reimbursement 2D00207113	each insured \$1,000,000 aggregate: \$1,000,000	01/01/99

BILLING NOTICE

Insured: UNION TELEPHONE COMPANY
116 N MAIN AVE
HARTFORD, SD 57033-2165

Customer ID: SD-8080258

Agent: SA039996
DONALD L FRITZ

Billing Date: NOV 25, 1997
Installment 001 of 001

PAYMENT DUE DATE: JAN 01, 1998

STATEMENT OF ACCOUNT			
POLICY NO.	TYPE OF POLICY		PREMIUM DUE
2RD0155902	RURAL UTILITIES INSURANCE PLAN	RENEWAL POLICY	\$ 5,954.00
2DO0207113	DIRECTORS & OFFICERS LIABILITY	RENEWAL POLICY	\$ 1,850.00
2CB0155903	UMBRELLA LIABILITY	RENEWAL POLICY	\$ 2,360.00
2WC0155904	WORKERS COMPENSATION	RENEWAL POLICY	\$ 8,060.00
	SOUTH DAKOTA WC POLICY FEE		\$ 14.00

ANNUAL PREM \$ 18,224.00	PROPERTY 1946 GEN LIAB 1639	AUTO 1639 CRIME 730	TOTAL AMOUNT DUE: \$ 18,238.00
-----------------------------	--------------------------------	------------------------	--------------------------------

PLEASE DETACH HERE AND RETURN WITH PAYMENT

Insured: UNION TELEPHONE COMPANY
116 N MAIN AVE
HARTFORD, SD 57033-2165

Customer ID: SD-8080258

Agent: SA039996
DONALD L FRITZ

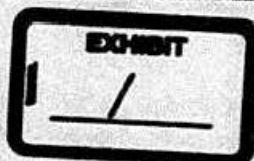
Billing Date: NOV 25, 1997
Installment 001 of 001

PAYMENT DUE DATE: JAN 01, 1998

TOTAL AMOUNT DUE: \$ 18,238.00

SEND PAYMENT TO:

NATIONAL FARMERS UNION PROPERTY AND CASUALTY COMPANIES
CORPORATE ACCOUNTS DIVISION
11900 EAST CORNELL AVENUE
AURORA, CO 80014-3194



PAYMENT COPY

CERTIFICATE OF INSURANCE

ISSUE DATE (MM/DD/YY): 12/22/1997 NA

AGENT: 53839994

DOM FELT
5329 PLYMOUTH DR.
STOCK FALLS

SD 57106

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

COMPANIES AFFORDING COVERAGE

INSURED: SD-8080288

UNION TELEPHONE COMPANY *

116 N MAIN AVE
BARTFORD

SD 57833-2165

COMPANY A	NATIONAL FARMERS UNION PROPERTY AND CASUALTY COMPANY
COMPANY B	NATIONAL FARMERS UNION STANDARD INSURANCE COMPANY
COMPANY C	

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CO. LINE	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
1	GENERAL LIABILITY	2000133002	01/01/1998	01/01/1999	GENERAL AGGREGATE \$
	☒ COMMERCIAL GENERAL LIABILITY				PRODUCTS - CHD/OP AGG \$ 1,000,000
	☐ CLAIMS MADE ☒ OCCURRENCE				PERSONAL & ADV INJURY \$ EXCLUDED
	☐ CONTRACTOR'S PROTECTIVE				EACH OCCURRENCE \$ 1,000,000
					FIRE DAMAGE (Any one claim) \$ 50,000
					PER EXP (Any one person) \$ 1,000
2	AUTOMOBILE LIABILITY	2000133002	01/01/1998	01/01/1999	COVERED SINGLE LIMIT \$ 1,000,000
	☒ ANY AUTO				BODILY INJURY (per person) \$
	☐ ALL OWNED AUTOS				BODILY INJURY (per occurrence) \$
	☐ SCHEDULED AUTOS				PROPERTY DAMAGE \$
	☐ HIRED AUTOS				
	☐ NON-OWNED AUTOS				
	GARAGE LIABILITY				AUTO ONLY - EACH ACCIDENT \$
	☐ ANY AUTO				OTHER THAN AUTO ONLY: \$
					EACH ACCIDENT \$
					AGGREGATE \$
3	EXCESS LIABILITY	2000133003	01/01/1998	01/01/1999	EACH OCCURRENCE \$ 1,000,000
	☒ UMBRELLA FORM				AGGREGATE \$ 1,000,000
	OTHER THAN UMBRELLA FORM				\$
4	EMPLOYERS' COMPENSATION AND EMPLOYERS' LIABILITY	2000133004	01/01/1998	01/01/1999	STATUTORY LIMITS
	THE PROPRIETOR/ PARTNER/DIRECTIVE OFFICERS ARE: ☐ INC. ☐ SUC.				EACH ACCIDENT \$ 100,000
					DISEASE - POLICY LIMIT \$ 500,000
					DISEASE - EACH EMPLOYEE \$ 100,000
5	OTHER REAL AND PERSONAL PROPERTY	2000133005	01/01/1998	01/01/1999	ALL OTHER PERIL \$ 2,432,000

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS:
NOTED INSURED INCLUDE ARMOUR INDEPENDENT TELEPHONE CO. AND BRIDGEMAN-CANISTOTA INDEPENDENT TELEPHONE CO.
CERTIFICATE HOLDER IS AN ADDITIONAL INSURED.

CERTIFICATE HOLDER

RURAL TELEPHONE FARMERS COOPERATIVE
ATTN LARRY ZANALICK

2201 COOPERATIVE WAY
HERNDON

VA 20171-3025

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO MAIL DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER. NAMED TO THE LEFT BUT FAR TO MAIL, SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND TO THE COMPANY, ITS AGENTS OR REPRESENTATIVES.

John A. Fusio

*Union and Armour

CERTIFICATE OF INSURANCE

ISSUE DATE MM/DD/YY: 11/22/1997

AGENT 58639996

JOHN PRITTS
5129 PITCHER DR.
STOCK FALLS

ED 57166

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

COMPANIES AFFORDING COVERAGE

INSURED ED-8660254

UNION TELEPHONE COMPANY *

116 N MAIN AVE
HARTFORD

ED 57023-2165

COMPANY A	NATIONAL FARMERS UNION PROPERTY AND CASUALTY COMPANY
COMPANY B	NATIONAL FARMERS UNION STANDARD INSURANCE COMPANY
COMPANY C	

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIODS INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH A CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CS. LINE	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
1	GENERAL LIABILITY ☒ COMMERCIAL GENERAL LIABILITY ☐ (CLAIMS MADE) ☒ OCCURRENCE ☒ CONTRACTOR'S PROTECTIVE	2800155902	01/01/1998	01/01/1999	GENERAL AGGREGATE \$ PRODUCTS - COM/OP AGG \$ 1,000,000 PERSONAL & ADV INJURY \$ INCLUDED EACH OCCURRENCE \$ 1,000,000 FIRE DAMAGE (they own fire) \$ 50,000 MED EXP (they own person) \$ 1,000
2	AUTOMOBILE LIABILITY ☒ ANY AUTO ☐ ALL OWNED AUTOS ☐ SCHEDULED AUTOS ☐ RENTED AUTOS ☐ NON-OWNED AUTOS	2800155903	01/01/1998	01/01/1999	COMBINED SINGLE LIMIT \$ 1,000,000 BODILY INJURY (per person) \$ BODILY INJURY (per occurrence) \$ PROPERTY DAMAGE \$
3	GARAGE LIABILITY ☐ ANY AUTO				AUTO ONLY - EACH ACCIDENT \$ OTHER THAN AUTO ONLY \$ EACH ACCIDENT \$ AGGREGATE \$
4	EXCESS LIABILITY ☒ UMBRELLA FORM ☐ OTHER THAN UMBRELLA FORM	2800155903	01/01/1998	01/01/1999	EACH OCCURRENCE \$ 5,000,000 AGGREGATE \$ 5,000,000
5	WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY ☐ THE PROPRIETOR/ PARTNER/EXECUTIVE OFFICERS ARE: ☐ INC. ☒ EXCL.	2800155904	01/01/1998	01/01/1999	STATUTORY LIMITS EACH ACCIDENT \$ 100,000 DISEASE - POLICY LIMIT \$ 500,000 DISEASE - EACH EMPLOYEE \$ 100,000
6	OTHER REAL AND PERSONAL PROPERTY	2800155902	01/01/1998	01/01/1999	ALL OTHER PERIL \$ 2,432,000

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS:
JOHN DEERE 310D BALCHOE

CERTIFICATE HOLDER

RDO EQUIPMENT COMPANY

2801 N LOUISE AVE
STOCK FALLS

ED 57187-0164

CANCELLATION:

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO MAIL DATED WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT BUT FAULTY MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND TO THE COMPANY, ITS AGENTS OR REPRESENTATIVES.

John A. Fusio

* Union

CERTIFICATE OF INSURANCE

ISSUE DATE 10/12/77 11:22:29

AGENCY 84039946

DOE FLEET
5325 PULVERED DR.
SCOTT FALLS

EO 57106

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICES BELOW.

COMPANIES AFFORDING COVERAGE

ORDERED 80-846-234

DETHO TELEPHONE COMPANY
NEW CANAL T.V.
145 N. MAIN AVE
BETHLEHEM

EO 57033-2163

COMPANY	NATIONAL FARMERS DITCH PROPERTY AND CASUALTY COMPANY
A	
COMPANY	NATIONAL FARMERS DITCH STANDARD INSURANCE COMPANY
B	
COMPANY	C

THIS IS TO CERTIFY THAT THE POLICES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. WITHOUT WAIVING ANY ASSIGNMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH IT IS ISSUED, THE INSURANCE AFFORDED BY THE POLICES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

1	2	3	4	5	6	7	8	9	10
TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE	POLICY EXPIRATION DATE	INSURED	COVERAGE	AMOUNT	COVERAGE	AMOUNT	COVERAGE
1. GENERAL LIABILITY	200115000	01/01/1976	01/01/1979	DETHO TELEPHONE COMPANY	GENERAL LIABILITY	1,000,000	GENERAL LIABILITY	1,000,000	GENERAL LIABILITY
2. AUTOMOBILE LIABILITY	200115000	01/01/1976	01/01/1979	DETHO TELEPHONE COMPANY	AUTOMOBILE LIABILITY	1,000,000	AUTOMOBILE LIABILITY	1,000,000	AUTOMOBILE LIABILITY
3. FLOOD DAMAGE	200115000	01/01/1976	01/01/1979	DETHO TELEPHONE COMPANY	FLOOD DAMAGE	1,000,000	FLOOD DAMAGE	1,000,000	FLOOD DAMAGE
4. THEFT AND VANDALISM	200115000	01/01/1976	01/01/1979	DETHO TELEPHONE COMPANY	THEFT AND VANDALISM	1,000,000	THEFT AND VANDALISM	1,000,000	THEFT AND VANDALISM
5. BUSINESS INTERRUPTION	200115000	01/01/1976	01/01/1979	DETHO TELEPHONE COMPANY	BUSINESS INTERRUPTION	1,000,000	BUSINESS INTERRUPTION	1,000,000	BUSINESS INTERRUPTION
6. OTHER	200115000	01/01/1976	01/01/1979	DETHO TELEPHONE COMPANY	OTHER	1,000,000	OTHER	1,000,000	OTHER
7. TOTAL AND PERSONAL PROPERTY	200115000	01/01/1976	01/01/1979	DETHO TELEPHONE COMPANY	TOTAL AND PERSONAL PROPERTY	1,000,000	TOTAL AND PERSONAL PROPERTY	1,000,000	TOTAL AND PERSONAL PROPERTY

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS:

CERTIFICATE HOLDER

WISCONSIN COUNTY COURT HOUSE
415 N. DAVOTA AVE
SCOTT FALLS

EO 57145-8126

CANCELLATION:

SHOULD ANY OF THE ABOVE DESCRIBED POLICES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL EXTEND TO THE POLICYHOLDERS THE SAME NOTICE TO THE CERTIFICATE HOLDER AS TO THE LEFT HAND PAGE TO MAKE SUCH NOTICE SMALL, NOTICE NO EXTENSION OR LIABILITY OF ANY KIND OF THE COMPANY, ITS AGENTS OR REPRESENTATIVES.

• WNY Cable

John A. Juile

CERTIFICATE OF INSURANCE

ISSUE DATE (MM/DD/YY) 11/21/1997

AGENT 8863994

DOH PRIZZ
5329 PITCHER DR.
STOCK FALLS

SD 57104

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

COMPANIES AFFORDING COVERAGE

INSURED SD-8808258

UNION TELEPHONE COMPANY *

114 N MAIN AVE
MADISON

SD 57833-2145

COMPANY A	NATIONAL FARMERS UNION PROPERTY AND CASUALTY COMPANY
COMPANY B	NATIONAL FARMERS UNION STANDARD INSURANCE COMPANY
COMPANY C	

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY F. INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CD- LHA	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
B	GENERAL LIABILITY	3880155962	01/01/1998	01/01/1999	GENERAL AGGREGATE	\$
	☒ COMMERCIAL GENERAL LIABILITY				PRODUCTS - COM/OP AGG	\$ 1,000,000
	☐ CLAIM MADE ☒ OCCURRENCE				PERSONAL & ADV INJURY	\$ 1,000,000
	☒ CONTRACTOR'S PROTECTIVE				EACH OCCURRENCE	\$ 1,000,000
					FIRE DAMAGE (they own 1200)	\$ 50,000
					RENT EXP (they own person)	\$ 1,000
B	AUTOMOBILE LIABILITY	3880155962	01/01/1998	01/01/1999	COMBINED SINGLE LIMIT	\$ 1,000,000
	☒ ANY AUTO				BODILY INJURY (per person)	\$
	☐ ALL OWNED AUTOS				BODILY INJURY (per occurrence)	\$
	☐ SCHEDULED AUTOS				PROPERTY DAMAGE	\$
	☐ LEASED AUTOS					
	☐ NON-OWNED AUTOS					
	GARAGE LIABILITY				AUTO ONLY - EACH ACCIDENT	\$
	☐ ANY AUTO				OTHER THAN AUTO ONLY	\$
					EACH ACCIDENT	\$
					AGGREGATE	\$
B	EXCESS LIABILITY	3880155962	01/01/1998	01/01/1999	EACH OCCURRENCE	\$ 5,000,000
	☒ UMBRELLA FORM				AGGREGATE	\$ 5,000,000
	☐ OTHER THAN UMBRELLA FORM					\$
B	EMPLOYERS' COMPENSATION AND EMPLOYERS' LIABILITY	3880155964	01/01/1998	01/01/1999	STATUTORY LIMITS	
	☐ THE PROPRIETOR/ PARTNER/EXECUTIVE OFFICERS ARE: ☐ INC. ☐ IND.				EACH ACCIDENT	\$ 100,000
					DISEASE - POLICY LIMIT	\$ 500,000
					DISEASE - EACH EMPLOYEE	\$ 100,000
B	OTHER REAL AND PERSONAL PROPERTY	3880155962	01/01/1998	01/01/1999	ALL OTHER PERIL	\$ 2,425,000

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS:

CERTIFICATE HOLDER

BURLINGTON NORTHERN SANTA FE RAILROAD
3800 CONTINENTAL PLAZA
722 MAIN STREET
FT WORTH TX 76102

CANCELLATION:

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO 90 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT BUT FA TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND TO THE COMPANY, ITS AGENTS OR REPRESENTATIVES.

APPROVED REPRESENTATIVE *John A. Fusio*

* Bridgewater

Rural Utilities Insurance Plan

Declarations

Customer # 90-0000258	Policy # 2802153902	Policy Period FROM: 01/01/98 TO: 01/01/99 12:01 AM Standard Time at the address shown below.
Named Insured and Address: UNION TELEPHONE COMPANY 116 N MAIN AVE DARTFORD, SD 57003-2145		AGENT NUMBER: 04039906 PA: \$2 PREMIUM: \$ 5,954 Insurance applies only to those coverages for which a limit of liability is shown and this company shall not be liable for more than the limit of liability specified for each coverage.

PROPERTY AND RELATED COVERAGES

	LIMIT OF LIABILITY	PROPERTY DEDUCTIBLES ---
Real and Personal Property.....	\$ 2,432,000	\$ 500 Deductible Per Occurrence
Automatic Increase in Insurance..	3.0 Percent	
Personal Property of Others.....	\$ 50,000	

VALUE PROTECTION GROUP \$ 250,000 AGGREGATE LIMIT APPLIES TO ALL OF FOLLOWING:

Loss of Use.....	\$	Recently Acquired Property.....	\$
Accounts Receivable.....	\$	Property Off Premises.....	\$
Valuable Papers & Records..	\$	Electronic Data Processing..	\$

IF AN AMOUNT IS SHOWN AFTER A SPECIFIC COVERAGE, THAT AMOUNT WILL BE IN ADDITION TO THE VALUE PROTECTION GROUP AGGREGATE AMOUNT FOR THAT SPECIFIC COVERAGE.

LIABILITY AND RELATED COVERAGES

	LIMIT OF LIABILITY
Bodily Injury, Property Damage, Personal Injury, and Advertising Injury.....	\$ 1,000,000 Per Occurrence
Products-Completed Operations Hazard.....	\$ 2,000,000 Aggregate Limit
Premises Medical Coverage.....	\$ 1,000 Each Person/\$10,000 Each Occurrence
Fire Legal Liability - Real Property.....	\$ 50,000 Each Occurrence
Telephone Directory Liability.....	\$ 1,000,000 Aggregate Limit
Broadcasters Liability.....	\$ 1,000,000 Aggregate Limit
Employee Benefits Liability.....	\$ 1,000,000 Aggregate Limit

AUTO COVERAGES

I. Auto Liability	LIMIT OF LIABILITY
Bodily Injury and Property Damage.....	\$ 1,000,000 Each Occurrence
Uninsured/Underinsured Motorist.....	\$ 1,000,000 Each Occurrence
Auto Medical Payments.....	\$ 1,000 Each Occurrence
II. Auto Physical Damage	
Comprehensive.....	Actual cash value less \$100 Deductible
Collision	Actual cash value less \$250 Deductible

CRIME COVERAGES

\$ 100,000 Limit of liability per occurrence applies to the combined crime coverages below:

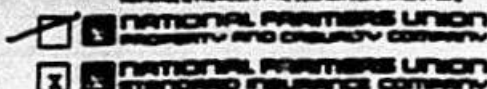
Employee Dishonesty	----- CRIME DEDUCTIBLES -----
Forgery or Alteration	\$250 Deductible per Occurrence
Theft, Disappearance, & Destruction	
Robbery and Safe Burglary	

POLICY FORMS/ENDORSEMENTS ATTACHED AT INCEPTION: BP-101(5/88), BP-114(5/88), BP-120(3/93), BP-207(10/96), BP-193(4/96), BP-208(10/96), BP-102(3/93), BP-103(1/92), BP-104(5/88), BP-110(4/96), BP-175(5/88), BP-121(4/95), BP-112(5/88), BP-100(5/88), BP-115(5/88), CA2141(5/97), SPEC END-1.

AUTHORIZED SIGNATURE
FORM BP-100(5/88)

Don F. [Signature]

DATE 11-29-97



Quality, Commitment and Pride

 11800 E. Cornell Avenue
 Denver, Colorado 80231
 (303) 337-5500

**DIRECTORS, OFFICERS AND MANAGER INSURANCE
 AND COMPANY REIMBURSEMENT POLICY**
***** DECLARATIONS *****
NOTICE: THIS IS A CLAIMS MADE POLICY

This policy applies only to Claims first made against a Director, Officer or Manager and reported to the Insurer during the Policy Period. Defense Costs and other expenses are included in the Limit of Liability. This policy does not provide for any duty by the insurer to defend any Director, Officer or Manager.

The coverage afforded by this policy differs from that afforded by most other policies. PLEASE READ THE ENTIRE POLICY CAREFULLY!

ITEM 1. NAMED INSURED AND ADDRESS Union Telephone Company 116 N Main Ave Hartford, SD 57033-2165		Customer #: SD-8080258 Policy #: ZD00207113 Agent #: SA039996 P/A: 52
ITEM 2. POLICY PERIOD FROM: January 1, 1998 TO: January 1, 1999 12:01 AM Standard Time at the address shown in ITEM 1.		
ITEM 3. LIMIT OF LIABILITY (including Defense Costs)	\$ 1,000,000	each Insured and policy aggregate
ITEM 4. RETENTION	\$ 1,000	each Claim
ITEM 5. RETROACTIVE DATE:		
ITEM 6. PREMIUM	\$ 1,850	per annum
ITEM 7. DISCOVERY PERIOD PREMIUM (limited availability)	\$ 1,850	90 days other _____
ITEM 8. ENDORSEMENTS ATTACHED AT INCEPTION PG 579(1/95), PG 337(1/95), PG 440(1/95), Special Endorsement #1.		

11/21/97 lh

These Declarations, the attached policy and the endorsements listed above, together with the completed and signed Application, shall constitute the contract among the Directors, Officers, Manager, Company and the Insurer.

 Authorized Representative

 11-29-97
 Date

INFORMATION PAGE

Form of Number 2800155904

Insurance is provided by the member association or an E

PA 52

Policy No. WC 2800155904

☐ NATIONAL PROGRESS UNION
PROGRESSIVE BOND CREDITORS COMPANY

SD-8080258
SA039996

Carrier No. 11843

☒ NATIONAL PROGRESS UNION
STANDARD FIDELITY COMPANY

Carrier No. 118013

118013 and 118013, same
policy, same conditions
and exclusions

1. The insuring address:
• Tellico Telephone Company
116 N. Main Ave.
Bartford, SD 57033-2165

☐ Individual ☐ Partnership
☒ Corporation or _____

Other workdays not shown above:

Insured's Identification (Note):
RFE: See Special
RFE: Endorsement #1
WCID: 400211019

2. Policy Period: The policy period is from January 1, 1998 to January 1, 1999 12:01 A.M. Standard Time,
at the insured's insuring address.

3. Coverage:

A. Workers Compensation Insurance: Part One of the policy applies to the Workers Compensation Law of the state
listed here: SOUTH DAKOTA

B. Employers Liability Insurance: Part Two of the policy applies to work in each state listed in Item 3A. The limits
of our liability under Part Two are:

Bodily Injury by Accident \$ 100,000 each accident
Bodily Injury by Disease \$ 500,000 policy limit
Bodily Injury by Disease \$ 100,000 each employee
C. Other States Insured: Part Three of the policy applies to the states, if any, listed here: All states except Nevada, North
Dakota, Ohio, Washington, West Virginia, Wyoming, states designated in Item 3A.

D. This policy includes these endorsements and schedules: WC174, WC 00 00 00 A., WC 00 04 03, WC 00 04 14,
WC 10, WC 00 04 04, WC 00 04 06, WC 40 06 01, Special Endorsement #1.

1. Premium: The premium for this policy will be determined by our Manuals of Fees, Classifications, Rates and Rating
Plans. All information required below is subject to verification and change by audit.

Classifications	Code No.	Premium Basis Total Estimated	Rate Per \$100 of Annual Retention	Estimated Annual Premium
		Annual Retention	Retention	

See Attached WC 174

Experience Rating Schedule Premium Expense
Modification Rating Discount Consultant

Factor Factor Other Other
See Attached WC 174 \$

☐ This is a Three Year Fixed Rate Policy
Premium Adjustment Period: ☒ Annual ☐ Semiannual ☐ Quarterly ☐ Monthly SD WC Tax - 14
Polling Fee

Unauthorized
11/21/97 1b

By on file
Authorized Representative

☐ NATIONAL FARMERS UNION
PROPERTY AND CASUALTY COMPANY

☒ NATIONAL FARMERS UNION
STANDARD INSURANCE COMPANY

11900 East Cornell Avenue
Aurora, Colorado 80014-3194
(303) 337-5500

UMBRELLA POLICY

DECLARATIONS

ITEM 1. NAME OF INSURED AND ADDRESS: Union Telephone Company 116 W Main Ave Bartford, SD 57033-2165		Customer # : SD-8080258 Policy # : 2CB0155903 Agent # : SA039996 P/A : 52	
ITEM 2. ADVANCE PREMIUM: \$ 2,360 Minimum Premium: \$ 1,500		payable per annum. in event of cancellation.	
ITEM 3. POLICY PERIOD: FROM: January 1, 1998 12:01 AM Standard Time at the address shown in ITEM 1.		TO: January 1, 1999	
ITEM 4. LIMIT OF INSURANCE: A. \$ 10,000 Self-Insured Retention. B. \$ 5,000,000 Each Occurrence & Policy Aggregate Limit where applicable.			
ITEM 5. SCHEDULE OF UNDERLYING INSURANCE:			
Type & Policy Number	Underlying Insurer	Policy Period	Limit(s) of Insurance
RUIP 2EU0155902	National Farmers Union Standard Insurance Company	1/1/98 to 1/1/99	\$1,000,000 CGL GEN LIAB \$1,000,000 Prod-Comp Operations Aggregate \$1,000,000 CGL AUTO LIAB
WORK COMP 2WC0155904	National Farmers Union Standard Insurance Company	1/1/98 to 1/1/99	Employers Liability BI by Accident \$100,000 each Accident BI by Disease \$500,000 Policy Limit \$100,000 each Employee
ITEM 6. ENDORSEMENTS ATTACHED AT INCEPTION: PG 136(3/93), PG 441(3/93), Special Endorsement #1.			

11/21/97 lh

SCHEDULE 4.16**Employees and Employee Agreements****ARMOUR AND BRIDGEWATER DIRECTORS**

Name	Compensation
William G. Haugen	No compensation.
Marilyn M. Haugen	No compensation.
William G. Haugen, Jr.	No compensation.
Mildred E. Armentrout	No compensation.
JoAnn Harden	No compensation.

ARMOUR AND BRIDGEWATER OFFICERS

Name	Office(s)	Compensation
William G. Haugen	President	*
William G. Haugen, Jr.	Vice President	*
Marilyn M. Haugen	Secretary/Treasurer	*

ARMOUR EMPLOYEES

Name	Position	Compensation
Thomas Payer	Area Technician	[REDACTED]
William G. Haugen**	President	[REDACTED]
William G. Haugen, Jr.**	Vice President	[REDACTED]
Marilyn M. Haugen**	Secretary/Treasurer	[REDACTED]

* William G. Haugen, Marilyn M. Haugen and William G. Haugen, Jr are listed as employees on the payroll of Armour and Bridgewater and paid by the respective company as employees.

** Upon Closing, William G. Haugen, Marilyn M. Haugen and William G. Haugen, Jr. will no longer be employees of Armour or Bridgewater. Their duties will be performed by MJD employees.

BRIDGEWATER EMPLOYEES

Name	Position	Compensation
Richard Heiman	Area Technician	[REDACTED]
William G. Haugen**	President	[REDACTED]
William G. Haugen, Jr.**	Vice President	[REDACTED]
Merilyn M. Haugen**	Secretary/Treasurer	[REDACTED]
Erica R. Falls	Temporary Outside Plant Technician	[REDACTED]
Ryan Wetter	Service Technician	[REDACTED]

CONSULTANTS AND INDEPENDENT CONTRACTORS

(1) TELEC Consulting Resources, Inc.

- (a) Services. Armour and Bridgewater, together with Union, are parties to a Consulting Services Agreement with TELEC Consulting Resources, Inc. ("TELEC") dated January 1, 1998 to provide general telephone company consulting services. The Agreement is for an initial term of one year and it automatically renews for successive one-year terms unless written notice of nonrenewal is provided by either party sixty (60) days prior to expiration of the then current term.
- (b) Compensation. Both Armour and Bridgewater are required to pay a quarterly amount of \$5,416.67. Plus an additional \$75.00/hour for services in excess of 400 hours a year and reimbursable expenses.

(2) Mitel Corporation

- (a) Services. Independent "Partners" Plan Agreement between Union and the Public Switching Division of Mitel Corporation ("Mitel") dated November 15, 1996. Although Armour and Bridgewater are not direct parties to this agreement, the Armour, Bridgewater and Canistota platforms are covered and Armour and Bridgewater pay their respective share of costs directly to Mitel.

This agreement establishes a maintenance plan that provides for repair of hardware failures and enables Armour and Bridgewater to obtain all software

** Upon Closing, William G. Haugen, Merilyn M. Haugen and William G. Haugen, Jr. will no longer be employees of Armour or Bridgewater. Their duties will be performed by MJD employees.

upgrades and patches and provides for functionality for any and all new features or capabilities during the term of the agreement.

- (b) Compensation. During the initial term from January 1, 1997 to April 1, 1999, costs include \$20,483.87 for the Armour and Wall Lake platform and \$5,742.56 for the Bridgewater platform. The Hartford and Canistota platforms are covered under warranty through April 1, 1999 pursuant to a Public Switching Equipment Sales and Installation Agreement between Union and Mital dated November 15, 1996. After the initial term, the annual costs for all five platforms will total \$26,928. Each company is obligated to pay for portions of the contract costs attributable to their respective switching platforms.

(3) Illuminet, Inc.

- (a) Services. Master Services Agreement between Illuminet, Inc. ("Illuminet") and Bridgewater dated January 17, 1996. The Agreement remains in effect until terminated by either party upon ninety (90) days prior written notice. Through Module 1 and Module 2 of the Master Services Agreement, Illuminet is obligated to provide Bridgewater with alternate billing services, a line information database along ("LIDB") along with LIDB services and independent calling card issuance services. Both Module 1 and Module 2 are dated January 17, 1996. The initial term of each Module shall be until June 30, 1998 and each shall then automatically renew for successive one-year terms starting on July 1, 1998 unless terminated upon ninety (90) days prior written notice or for default.
- (b) Compensation. With respect to compensation under this agreement, see copy of the agreement which has been previously provided.

(4) Illuminet, Inc.

- (a) Services. Master Services Agreement between Illuminet, Inc. ("Illuminet") and Armour dated January 17, 1996. The Agreement remains in effect until terminated by either party upon ninety (90) days prior written notice. Through Module 1 and Module 2 of the Master Services Agreement, Illuminet is obligated to provide Armour with alternate billing services, a line information database along ("LIDB") along with LIDB services and independent calling card issuance services. Both Module 1 and Module 2 are dated January 17, 1996. The initial term of each Module shall be until June 30, 1998 and each shall then automatically renew for successive one-year terms starting on July 1, 1998 unless terminated upon ninety (90) days prior written notice or for default.
- (b) Compensation. With respect to compensation under this agreement, see copy of the agreement which has been previously provided.

(4) Freelance Generator Service.

- (a) Services. Generator Services Contract Agreement between Union and Freelance Generator Service ("Freelance") dated May 5, 1998 for an initial term of two years. The Agreement obligates Freelance to provide general

042205-451-3

maintenance services at least twice a year for generators located in Canistota, Bridgewater, Armour, Hartford and Wall Lake.

- (b) Compensation: Freelance provides service for all five generators at the annual service rate of \$1,245.00. Each company is obligated to pay for portions of the annual service fee attributable to their respective generator(s).
- (6) Mid-America Computer Corporation provides billing and collecting services to Armour and Bridgewater. There is no written agreement between the companies, services are provided on a month to month basis.
- (7) See Schedule 4.17(xiii) for a list of material contracts with other service providers.

SCHEDULE 4.17

Material Contracts

(i) Bonus, pension, profit sharing, retirement, stock option, employee stock purchase or other plans providing for deferred compensation;

- (1) See Schedule 4.11 for a description of the profit sharing plan available to Armour and Bridgewater employees.

(ii) Hospitalization insurance or other welfare benefit plans or practices;

- (1) See Schedule 4.11 for a description of the group health plan available to Armour and Bridgewater employees.

(iv) Loans to its employees, officers, directors or Affiliates;

- (1) Promissory Note dated May 8, 1996 evidencing [REDACTED] loan Union made to Armour from its RTFC SD 600E03 loan to fund Armour's cellular purchase.
- (2) Armour loaned \$400,000 from its RTFC SD 810-A-02/800L2A loan to Bridgewater on June 4, 1996 for plant upgrades. Bridgewater, not Armour, makes debt service payments to the RTFC. [Documentation in minutes.]
- (3) Union advanced Armour \$85,000 from its SD 600S01 revolving credit line for expenses relating to the Armour LMDS Sale in January 1996. Armour repaid the advance in full in April 1996. [Documentation in minutes]
- (4) Armour borrowed [REDACTED] from Union in June 1996 to fund the FCC purchase requirement relating to the Armour LMDS Sale. [Documentation in minutes]
- (5) Bridgewater borrowed \$80,000 from Union in September 1996 to fund operational shortfalls. [Documentation in minutes]
- (6) Armour loaned Bridgewater [REDACTED] from its RTFC SD 810-A-01/810L1A for the acquisition of U.S. West properties in June 1996. Bridgewater makes debt service payments on this loan directly to the RTFC. [Documentation in minutes]

(v) The borrowing or loaning of money to or from any person or the mortgaging, pledging or otherwise placing a lien on any asset of Armour or Bridgewater;

- (1) Loan Agreement between Armour and the RTFC for Notes SD 810-A-01/810L1A and SD 810-A-02/810L2A dated June 13, 1996 for \$421,053 and \$2,525,400 respectively
- (2) Loan Agreement between Armour and the RTFC for the Note SD 810-A-03/810L3A dated March 29, 1996 for \$315,789.

- (3) Pledge and Security Agreement dated June 13, 1996 between Armour and the RTFC for Loan Agreements dated March 29, 1996 and June 13, 1996.
- (4) Secured Promissory Note (SD 810-A-01) between Armour and the RTFC dated June 13, 1996.
- (5) Secured Promissory Note (SD 810-A-03) between Armour and the RTFC dated March 29, 1996.
- (5) \$75,000 Revolving Line of Credit with the RTFC (SD 810S01). Armour drew \$75,000 on RTFC SD 810S01 for expenses relating to the Armour LMDS Sale in January 1996. Armour paid off the advance in full in April 1996.
- (vi) A guarantee of any obligation;
 - (1) Secured Guaranty between Bridgewater and the RTFC dated June 13, 1996.
 - (2) Guarantor's Mortgage and Security Agreement between Bridgewater and the RTFC dated June 13, 1996.
- (xii) The purchase, acquisition, disposition or supply of inventory and other property and assets, requiring total annual payments in excess of \$25,000;
 - (1) Agreement for Purchase and Sale of Exchanges between Armour, Bridgewater and U.S. West Communications dated December 7, 1994 ("Bridgewater Acquisition").
 - (2) Assumption Agreement between Bridgewater and U.S. West Communications dated June 21, 1996 pursuant to the Bridgewater Acquisition.
- (xiii) Employees, independent contractors, consultants, or other agents (and operating agreements);

Armour and Bridgewater:

- (1) Consulting Services Agreement with TELECOM Consulting Resources, Inc. dated January 1, 1996.
- (2) Amendment to Agreement for the Distribution of Interstate Access Revenues between Armour, Bridgewater, US WEST Communications and the National Exchange Carrier Association, Inc. ("NECA") dated June 21, 1997. (Minipool)
- (3) Facilities Interconnection Agreement for Reciprocal Transport and Termination between Armour, Bridgewater, Union and CommNet Cellular, Inc. dated December 31, 1997.
- (4) Telephone Directory Publishing Agreement between Armour, Bridgewater, Union and McLeod Publishing Company (Teleconnect) effective May 7, 1997.

- (5) Mid-America Computer Corporation provides billing and collecting services to Armour and Bridgewater. There is no written agreement between the companies; services are provided on a month to month basis.

Armour:

- (1) Master Services Agreement with Illuminet, Inc. dated January 17, 1998.
- (2) Reciprocal Transport and Termination Agreement with CommNet Cellular, Inc. dated December 16, 1997.
- (3) Public Switching Equipment Sales and Installation Agreement with Mitel Corporation dated August 23, 1991 for the Armour platform.
- (4) Administrative Operating Company (ACON) Services Agreement with Lockheed Martin IMS Corporation dated September 29, 1998.
- (5) See list of contracts attached as Exhibit 1, copies of which have been previously provided.

Bridgewater:

- (1) Master Services Agreement with Illuminet, Inc. dated January 17, 1998.
- (2) Reciprocal Transport and Termination Agreement with CommNet Cellular, Inc. dated December 16, 1997.
- (3) Administrative Operating Company (ACON) Services Agreement with Lockheed Martin IMS Corporation dated September 29, 1998.
- (4) See list of contracts attached as Exhibit 1, copies of which have been previously provided.

(xiv) Sales, commissions, advertising or marketing; or

- (1) Marketing Agreement between Union and INAD, Inc. dated November 19, 1998 effective for six (6) months. Armour, Bridgewater, Union and WMW Cable split the \$7200 base fee due under this agreement.

ARMOUR/BRIDGEWATER SCHEDULE 4.17

ARMOUR-U.S. WEST CONTRACTS

- (1) Revenue Distribution Agreement for Feature Group "A" Switched Access Services dated October 1, 1990 ("Feature Group Distribution Agreement").
- (2) Exhibit A to the Feature Group Distribution Agreement - Basis of Revenue Distribution for LATA-Wide Termination of Feature Group "A" Switched Access Services dated January 12, 1996.
- (3) Common Channel Signaling Network Interconnection Agreement for Private Switched Access Services dated December 6, 1995.
- (4) 800 Data Base Access Service Agreement for Switched Access Services dated August 11, 1993.
- (5) Local or Full Service Operator Services Agreement dated August 10, 1993.
- (6) Accounting Services Agreement (Agreement 5020 ASA) dated July 14, 1992.
- (7) Concurrence letter amending Accounting Services Agreement (Amendment 5020 ASA) dated April 12, 1993.
- (8) Publishing Agreement for Independent Telephone Companies Official Listings/Directories dated December 16, 1997.
- (9) Agreement for the Provision of Access Billing Service Under the Single Bill Multiple Tariff Meet Point Billing Option dated July 1, 1989.
- (10) CustomNet Service Agreement Attachments dated April 22, 1988 amending the Directory, Local Operator and Associated Agreement effective June 1, 1985.
- (11) Directory, Local Operator and Associated Agreement effective June 1, 1985.
- (12) Exchange Carrier Listing Information Agreement dated November 1, 1989.

ARMOUR - AT&T CONTRACTS

- (1) Article 1 Umbrella Policy (General Provisions).
- (2) Article 37 Telecommunications Services and Facilities Agreement.

ARMOUR - NORTH CENTRAL REGIONAL PROCESSING CENTER

- (1) North Central Regional Processing Center, Inc. AT&T Article 8-2 Billing and Collection Agreement dated November 9, 1992.

ARMOUR - INDEPENDENT NECA SERVICE (INS) CONTRACTS

- (1) INS - MCI Agency Agreement with Independent NECA Services, Inc. ("INS") dated June 24, 1993. Cancellation confirmation letter sent by INS November 4, 1998 effective September 21, 1999.
- (2) INS - Sprint Agency Agreement dated October 9, 1995. Cancellation confirmation letter sent by INS October 30, 1998 effective February 1, 1999.
- (3) INS - Alternate Operator Services Agency Authorization dated December 8, 1987. Cancellation confirmation letter from INS sent November 4, 1998 effective February 1, 1999.

ARMOUR - NATIONAL EXCHANGE CARRIER ASSOCIATION, INC. ("NECA")

- (1) Agreement for the Distribution of Interstate Access Revenues with NECA dated May 25, 1984.
- (2) Agreement for the Distribution of Interstate Access Revenues (Average Schedule Companies) with NECA effective October 1, 1985.

BRIDGEWATER - U.S. WEST AGREEMENTS

- (1) Accounting Services Agreement dated June 14, 1996 (Agreement 5020 ASA).
- (2) Amendment No. One (1) to the Accounting Services Agreement (Amendment 5020 ASA) dated July 31, 1996.
- (3) Local or Full Service Operator Services Agreement dated June 14, 1996.
- (4) Home Numbering Plan Area ("HNPA") Directory Assistance Agreement dated June 14, 1996.
- (5) Exchange Carrier Maintenance Services Agreement dated June 14, 1996.
- (6) CustomNet Service Agreement dated June 14, 1996.
- (7) Amendment No. One (1) to CustomNet Service Agreement dated December 16, 1996.
- (8) 8XX Data Base Access Service Agreement for Switched Access Services dated June 14, 1996.
- (9) Alarm Monitoring Services Agreement dated June 14, 1996.
- (10) Space and Power Agreement dated June 14, 1996.
- (11) Revenue Distribution Agreement for Feature Group "A" Switched Access Services effective June 22, 1996 ("Feature Group Distribution Agreement").
- (12) Exhibit A to the Feature Group Distribution Agreement - Basis of Revenue Distribution for LATA-Wide Termination of Feature Group "A" Switched Access Services.

- (13) Exhibit B to Feature Group Distribution Agreement - Basis of Revenue Distribution for Originating Feature Group "A" Switched Access Services in EAS Calling Area.
- (14) Electronic Listing Service Agreement dated June 14, 1996.
- (15) Agreement for the Provision of Access Billing Service Under the Single Bill Multiple Tariff Meet Point Billing Option (Single Check) dated July 1, 1989.
- (16) Amendment No. One (1) to the Agreement for the Provision of Access Billing Service Under the Single Bill Multiple Tariff Meet Point Billing Option (Single Check) dated August 29, 1990.
- (17) Intercept Services Agreement effective June 22, 1996.
- (18) Publishing Agreement for Independent Telephone Companies Official Listings/Directories dated September 18, 1996.
- (19) Assumption Agreement made pursuant to the Bridgewater Acquisition effective June 21, 1996.
- (20) US West Enhanced 911 Services Agreement assumed by Bridgewater pursuant to the Bridgewater Acquisition.
- (21) Agreement Covering the Joint Use of Poles between Northern States Power Company and Northwestern Bell Telephone Company, effective October 1, 1981.
- (22) License Agreement for Pole Attachments and/or Conduit Occupancy in South Dakota, dated January 1, 1989 between U.S. West Communications and Satellite Cable Services, Inc.

BRIDGEWATER - AT&T CONTRACTS

- (1) Article 1 Umbrella Policy (General Provisions).
- (2) Article 37 Telecommunications Services and Facilities Agreement.

BRIDGEWATER - INDEPENDENT NECA SERVICE (INS) CONTRACTS

- (1) INS Agency Agreement for AT&T Article 8-4 Billing and Collection Agreement dated June 25, 1996.
- (2) INS - MCI Agency Agreement dated June 24, 1996. Cancellation confirmation letter sent by INS November 4, 1996 effective September 21, 1999.
- (3) INS - Operator Service Provider Agency Agreement dated October 7, 1996. Cancellation confirmation letter sent by INS November 4, 1996 effective February 1, 1999.
- (4) INS - Sprint Agency Agreement dated October 9, 1996. Cancellation confirmation letter sent by INS October 30, 1996 effective February 1, 1999.
- (5) INS - Regional Interexchange B & C Carrier Program Agency Agreement dated June 19, 1996. Cancellation confirmation letter sent by INS October 30, 1996 effective February 1, 1999.

EXHIBIT 1 - ARMOUR/BRIDGEWATER SCHEDULE 4.17

SCHEDULE 4.19

Description of Real and Personal Property

(a) & (b) Owned and Leased Property:

Armour:

- (1) North 80 feet of Lots 13 & 14 and the South 34 feet of the East 16 feet of Lot 13, Block 13, City of Armour, Douglas County, South Dakota. The South 34 feet of the East 16 feet of Lot 13, Block 13, City of Armour is excluded pursuant to Exhibit B of the Armour Stock Purchase Agreement. (Armour Central Office and Garage)
- (2) The North 80 feet of the East 150 feet (excepting therefrom the North 15 feet of the East 150 feet) of Lot 1 in Block Forty-two (42), Johnson & Floete's Addition to the City of Armour, Douglas County, South Dakota. (Warehouse)
- (3) The W½ of Lot 1 in Block 42 of Johnson & Floete's Addition to the City of Armour, South Dakota. (Portion of Warehouse)
- (4) Armour also owns certain personal property, which property is described on the lists attached as Exhibit 1 and Exhibit 2.

Bridgewater:

- (1) East Thirty-two (32) feet of Lot Thirteen (13) and East Thirty-two feet and Zero inches (E 32' 0") of Lot Fourteen (14) in Block Eleven (11), original plat, City of Bridgewater, McCook County, South Dakota. (Bridgewater Central Office)
- (2) West Fifty feet (W 50') of Lot Twelve (12) and the North Forty feet (N 40') of the West Fifty feet (W 50') of Lot Eleven (11), Block Twenty-four (24) of Canistota, McCook County, South Dakota. (Canistota Central Office)
- (3) Lots Nine & Ten (9&10), Block Three (3), Original Town, Bridgewater, McCook County, South Dakota, leased by Bridgewater from William G. Haugen and Marilyn M. Haugen pursuant to a Lease Agreement dated May 15, 1998.
- (4) Bridgewater also owns certain personal property, which property is described on the lists attached as Exhibit 3 and Exhibit 4.

(e) See Schedule 4.7(a) for description of the Armour MVC Cellular Sale and the Armour LMDS Sale which have occurred since December 31, 1997.

SCHEDULE 4.19 PROPERTY - EXHIBIT 1

Armour Personal Property*

Vehicles/Equipment

<u>Description</u>	<u>Quantity</u>
'98 Dodge Dakota SLT	1
'76 Chevy C20 1/2 ton truck (leased)	1
'5kW portable Onan generator	1

Central Office Furniture/Equipment

<u>Description</u>	<u>Quantity</u>
Desks	2
Swivel chairs	2
Metal storage cases	3
Fax machine	1

* This list does not include those items excluded under Exhibit B to this Stock Purchase Agreement.

EXHIBIT 1 - ARMOUR/BRIDGEWATER SCHEDULE 4.19

Settlement /	CPN CD	MTF	CPN Description	Account	Location Description	N/U Qty
11 00 - CDE CAT 1 LOCAL BMTCLIM						

Inserv	Class	Date	Work Order
.....			

[illegible]

Total for Settlement Code 13.00

[illegible]

Total for Settlement Code 10.11

[illegible]

11/11/78 General Ledger Date: 11/11/78

CTM (100) SYSTEM RECENT FILE BY SETTLEMENT CODE
Company: AMERICA TRADING CO.
Exchange: AMEX

Page 4

Settlement/ CTM CD M/R	CTM Description	Account	Location Description	M/U Qty
10 00 - COT POWER				

Indervise Date	Close Date	Inst Order
1/78	1/78	1978-0000-
1/78	1/78	1978-0000-

10 00 - COT POWER
Total for Settlement Code 10 00

1/78	1/78	1978-0000-
1/78	1/78	1978-0000-

Total for Settlement Code 10 00

1000 MC BUILD-EMULATED (TRADING ATTACHMENT)
900 MC CONNECTING BLOCKS

2010010
2010010

M 1
M 21

Total for Settlement Code 10 00

SCHEDULE 4.19 PROPERTY - EXHIBIT 3

Bridgewater Personal Property*

Vehicles/Equipment

<u>Description</u>	<u>Quantity</u>
'94 Dodge Dakota SLT	1

Central Office Furniture/Equipment

<u>Description</u>	<u>Quantity</u>
Desks	2
Fax machine	2
Metal storage cabinets	3
Chairs	2

* This list does not include those items excluded under Exhibit B to this Stock Purchase Agreement.

EXHIBIT 3 - ARMOUR/BRIDGEWATER SCHEDULE 4.19

11/1/79

Universal Ledger Date: 11/21/79

CPN (CDS) Ledger Record File by Settlement Code

Company: MICHIGAN/COURTNEY TEL. CO.
Exchange: MICHIGAN

Page 1

Settlement/
CPN CD Mtr CPN Description Account Location Description M/Y Day

Indep/Sec Class
Date Date Month Order

1910	AT	LIAMON 2000 24V/40V PWR P/L	22120010			6/73	6/73	1996-00101
1906	AT	POWER CHALK CR-20100 I/O	22120010		100	6/73	6/73	1996-00101
1906	AT	POWER CHALK CR-20100 S/WCH	22120010		60	6/73	6/73	1996-00101
1906	AT	POWER CHALK CR-20100 T/CH	22120010		40	6/73	6/73	1996-00101
1910	NO	AC ALTRN TR BR-215 A/W	22120010		1	6/73	6/73	1996-00101
1910	NO	BATTERY, C/CD 1600A/H	22120010		24	6/73	6/73	1996-00101
1917	NO	SECURITY GUARDIAN, 37M 1/2	22120010		1	6/73	6/73	1996-00101
1910	NO	VO SW TRAMP ADST (BATTLED ALN RO)	22120010		1	6/73	6/73	1996-00101
1910	NO	SW SW TAP ADST	22120010		1	6/73	6/73	1996-00101
1911	NO	O-IC CONTR BR -10V (BATTLED ALN RO)	22120010		1	6/73	6/73	1996-00101

Total for Settlement Code 11.00

General Ledger Date: 12/31/97

CPA (CPS) MATTER RECORD FILE BY SETTLEMENT CODE

Company: BALDWIN/KTS/CALISTOTA TEL. CO
Exchange: CALISTOTA

Item	Qty	Unit	Description	Account	Location Description	W/U	Qty	Indefinite	Class	Date	Order
100	1	EA	LOCAL SWITCHING								
1001	1	EA	PORTABLE CARRIER NO. 1 5" DISK	2110010				5/97	5/97	1997-00201	
1002	1	EA	8/8 BULK PAPER 2	2110010				5/97	5/97	1997-00201	
1003	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1004	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1005	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1006	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
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1094	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1095	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1096	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1097	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1098	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1099	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1100	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1101	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1102	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1103	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1104	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1105	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1106	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1107	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1108	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1109	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1110	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1111	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1112	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1113	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1114	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1115	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1116	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1117	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1118	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1119	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1120	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1121	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1122	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1123	1	EA	8/8 COIN PACKAGES NO.	2110010				5/97	5/97	1997-00201	
1124	1	EA	8/8 COIN PACKAGES NO.	2110010							

8/11/90

General Ledger Date: 12/31/07

CRA (CQ) MATRIN Record File by Settlement Case

Company: SAIPOLSA/CAPISTOTA TEL. CO
Exchange: CAPISTOTA

Page 3

Station/ CPL CD	M/E	CPL Description	Account	Location Description	M/U	Qty	Indefinite Date	Class Date	Work Order
10 15	CPL CAT 4 11 EXCH FIBER CUT								
1010	AF	AFC-URA AC RECTIFIER	22300020		M	2	5/97	5/97	1997-00200
1010	AF	AFC-URA AC RECTIFIER	22300020		M	1	5/97	5/97	1997-00200
1011	AF	AFC-URA FUSE & DISTRIBUTION UNIT	22300020		M	1	5/97	5/97	1997-00200

0015 CUE CAT 0 11 ERM P1228 CRT

[illegible]

Total for Settlement Code 10.15

10 2) - COS CAT (1.2) IN CRT ALL OTHERS

[illegible]

11/11/78

General Ledger Date: 11/11/77

CRB (COS) INVENTORY Record File by SETTLEMENT CODE

Company: MILWAUKEE/CALISTOTA TEL. CO.
Branches: CALISTOTA

Page 5

Settlement/ CRB CD M/F	CRB Description	Account	Location Description	M/U	Qty
---------------------------	-----------------	---------	----------------------	-----	-----

14.48 - COS POWER

22102	MT LOCALIN 500VA INVERTER WA4418	22120010		M	1
22111	MT TRO MOLE LADS-4 AND 1/4" (16/DOZ)	22120010		M	1
22112	MT TRO MOLE LADS 3/8 AND 1/4" (16/DOZ)	22120010		M	1
22117	MT RALOMALE KIT (MISC SCHEM, MOTO, ETC)	22120010		M	1

Total for Settlement Code 14.48

14.48 - COS COMMON EQUIPMENT

2067	AT MOP - MAIN DISTR TR ASST	22120010		M	2
2068	AT MOP - TR MOTO BLK ASST	22120010		M	10
2075	AT OPEN DOOR M/M UNIT	22120010		M	1

Total for Settlement Code 14.48

Inventory Date	Class Date	Wgt. Order
-------------------	---------------	------------

5/97	5/97	1997-00201
5/97	5/97	1997-00201
5/97	5/97	1997-00201

6/91	6/91	1996-00201
6/91	6/91	1996-00201
1/91	1/91	1996-00201

SCHEDULE 4.20

Taxes

Although Armour has not currently requested an extension of time within which to file any consolidated Federal Income Tax Return for Armour and Bridgewater, as a matter of course, Armour extends beyond the April 15 filing deadline to file its consolidated Federal Income Tax Returns.

SCHEDULE 4.22

Environmental Matters

- (b) Environmental matters relating to real property used, owned or leased by Armour or Bridgewater.

- (i) Armour and Bridgewater use and/or store certain materials, some of which may be deemed to be Hazardous Materials, in the ordinary course of business. The materials are used in de minimis quantities typical for business activities of the nature and scope conducted by the Armour and Bridgewater in the ordinary course of business, and are consumed in the course of use.

Armour has one (1) above-ground propane tank.

In 1992, Armour purchased a new battery string from Ash Battery Systems ("Ash") of Omaha, Nebraska. Ash provided removal and disposal services for the old battery string as part of the purchase.

In 1998, the Armour battery string was replaced due to cracking of some of the battery cases. No discharge of battery contents occurred. Ash provided a new battery string along with removal and disposal services.

- (ii) US West performed a Phase I site assessment of the Bridgewater and Canistota properties and facilities when US West sold the Bridgewater and Canistota exchanges to Bridgewater pursuant to the Bridgewater Acquisition.

SCHEDULE 4.23

Affiliate Transactions

List all written contracts between Armour and Bridgewater and any one or more of the Affiliates.

- (1) Administrative Services Agreement between Armour and Union dated January 1, 1990.
- (2) Preferred Stock Purchase Agreement between Armour and Union dated June 13, 1996.
- (3) Administrative Services Agreement between Bridgewater and Union dated July 1, 1996.
- (4) Lease Agreement for Lots Nine & Ten (9&10), Block Three (3), Original Town, Bridgewater, McCook County, South Dakota, between William G. Haugen, Marilyn M. Haugen and Bridgewater dated May 15, 1998.
- (5) Promissory Note dated May 8, 1996 evidencing \$300,000 loan Union made to Armour from its RTFC SD 600E03 loan to fund Armour's cellular purchase.
- (6) Armour loaned \$400,000 to Bridgewater on June 4, 1996 from its RTFC SD 810-A-02/810L2A loan for plant upgrades. Bridgewater makes payments on this loan directly to the RTFC. [Documented in minutes]
- (7) Union advanced Armour \$65,000 from its RTFC SD 600S01 revolving credit line in January 1998 for expenses relating to the Armour LMDS Sale. Armour repaid the advance in full in April 1998. [Documented in minutes]
- (8) Armour borrowed \$146,000 from Union in June 1998 to fund the FCC purchase requirement relating to the Armour LMDS Sale. [Documented in minutes]
- (9) Armour drew \$75,000 on its RTFC SD 810S01 revolving credit line in January 1998 for expenses relating to the Armour LMDS Sale. Armour repaid the credit line in full in April 1998. [Documented in minutes]
- (10) Union advanced Bridgewater \$60,000 in September 1998 to fund operational shortfalls. [Documented in minutes]
- (11) Armour loaned Bridgewater \$2.4 million from its RTFC SD 810-A-01/810L1A for the acquisition of U.S. West properties. Bridgewater makes payments on this loan directly to the RTFC. [Documented in minutes]
- (12) Assignment of ABS LMDS Joint Venture Interest to Haugen Properties, L.L.C. dated August 1, 1998.

SCHEDULE 4.25

Permits and Reports

Armour

- (1) Ordinance No. 237 by the City of Armour granting Armour the right to operate a telephone system within the City of Armour.
- (2) SDPUC Order designating Armour as an Eligible Telecommunications Carrier (TC97-113).
- (3) FCC Order adopted April 10, 1996 granting 214 authorization to US WEST Communications, Inc. so that it may discontinue service in South Dakota.
- (4) FCC Order on Joint Petition for Waiver adopted April 11, 1996 granting the price cap waiver and cost settlement waiver and denying the study area waiver. Pursuant to the FCC price cap waiver, the FCC must be notified upon the sale of Armour.
- (5) FCC Public Notice Self-Certification as Rural Telephone Company (DA 97 1748) released August 14, 1997 and corrected September 22, 1997.
- (6) Notice of Designated Agent in Washington, D.C. dated March 13, 1998 appointing Lukas, Nace, Gutierrez & Sachs as FCC contact.
- (7) LMDS License granted to the ABS LMDS Joint Venture September 15, 1998.
- (8) Certificate of Authority issued by the South Dakota Public Utilities Commission.

Bridgewater

- (1) SDPUC Order designating Bridgewater as an Eligible Telecommunications Carrier (TC97-114).
- (2) FCC Order adopted April 10, 1996 granting 214 authorization to US WEST Communications, Inc. so that it may discontinue service in South Dakota.
- (3) FCC Order on Joint Petition for Waiver adopted April 11, 1996 granting the price cap waiver and cost settlement waiver and denying the study area waiver. [Pursuant to the FCC price cap waiver, the FCC must be notified upon the sale of Armour and Bridgewater.]
- (4) Assignment and Acceptance by the South Dakota Department of Transportation Division of Fiscal and Public Assistance, Office of Railroads dated June 21, 1996 for the transfer of the licenses R/W Numbers 6706 and 6859 to Bridgewater from US West.
- (5) FCC Public Notice Self-Certification as Rural Telephone Company (DA 97 1748) released August 14, 1997 and corrected September 22, 1997.
- (6) Notice of Designated Agent in Washington, D.C. dated March 13, 1998 appointing Lukas, Nace, Gutierrez & Sachs as FCC contact.
- (7) Consent to Assignment of government permits executed by McCook County in connection with purchase of Bridgewater from U.S. West for permits R/W Numbers 5185, 95-2014, 5281 and 6108.

- (8) Consent to Assignment of government permits executed by Hutchinson County in connection with purchase of Bridgewater from U.S. West for permits R/W Numbers 5296 and 95-2013.
- (9) Permits from the South Dakota Department of Transportation Division of Highways for R/W Numbers 5134 and 8027 transferred to Bridgewater pursuant to the Bridgewater Acquisition. No written consent from the Department was necessary for the assignment.
- (10) Permits from the South Dakota Department of the Interior, Bureau of Sports, Fishing and Wildlife for R/W Number 24285 transferred to Bridgewater pursuant to the Bridgewater Acquisition. Telephone notification of transfer occurred June 10, 1996. Written notification was not necessary.
- (11) Department of Transportation, Division of Planning/Engineering, Office of Project Development/Utilities section approval of Bridgewater project P0042(26)327, PCEMS 4274, McCook County SD 42 from Bridgewater East to Stanley County to move and adjust copper telephone cable facilities dated April 22, 1997.
- (12) State Force Account Agreement for Bridgewater project P0042(26)327, PCEMS 4274, McCook County SD 42 from Bridgewater East to Stanley County.
- (13) Utility Permit (Permit No. 972042) issued April 5, 1997 by the South Dakota Department of Transportation for the installation of telephone facilities within the highway right-of-way of South Dakota Highway Number 42 in McCook County, South Dakota.
- (14) Utility Permit (Permit No. 972041) issued April 5, 1997 by the South Dakota Department of Transportation for the installation of telephone facilities within the highway right-of-way of South Dakota Highway Number 42 in Minnehaha County, South Dakota.
- (15) Utility Permit (Permit No. 972049) issued April 5, 1997 by the South Dakota Department of Transportation for the installation of telephone facilities within the highway right-of-way of South Dakota Highway Number 19 in Minnehaha County, South Dakota.
- (16) Utility Permit (Permit No. 972039) issued April 5, 1997 by the South Dakota Department of Transportation for the installation of telephone facilities within the highway right-of-way of South Dakota Highway Number 42 in McCook County, South Dakota.
- (17) Utility Permit (Permit No. 972040) issued April 5, 1997 by the South Dakota Department of Transportation for the installation of telephone facilities within the highway right-of-way of South Dakota Highway Number 42 in Minnehaha County, South Dakota.
- (18) Utility Permit (Permit No. 972038) issued April 5, 1997 by the South Dakota Department of Transportation for the installation of telephone facilities within the highway right-of-way of South Dakota Highway Number 42 in McCook County, South Dakota.
- (19) Utility Permit (Permit No. 972037) issued April 5, 1997 by the South Dakota Department of Transportation for the installation of telephone facilities within the highway right-of-way of South Dakota Highway Number 42 in Minnehaha County, South Dakota.
- (20) Utility Permit (Permit No. 972036) issued April 5, 1997 by the South Dakota Department of Transportation for the installation of telephone facilities within the highway right-of-way of South Dakota Highway Number 42 in McCook County, South Dakota.

- (21) Utility Permit (Permit No. 972035) issued April 5, 1997 by the South Dakota Department of Transportation for the installation of telephone facilities within the highway right-of-way of South Dakota Highway Number 42 in Minnehaha County, South Dakota.
- (22) Utility Permit (Permit No. 972034) issued April 5, 1997 by the South Dakota Department of Transportation for the installation of telephone facilities within the highway right-of-way of South Dakota Highway Number 42 in McCook County, South Dakota.
- (23) Utility Permit (Permit No. 972033) issued April 5, 1997 by the South Dakota Department of Transportation for the installation of telephone facilities within the highway right-of-way of South Dakota Highway Number 42 in Minnehaha County, South Dakota.
- (24) Utility Permit (Permit No. 972032) issued April 5, 1997 by the South Dakota Department of Transportation for the installation of telephone facilities within the highway right-of-way of South Dakota Highway Number 42 in Minnehaha County, South Dakota.
- (25) Utility Permit (Permit No. 972030) issued April 4, 1997 by the South Dakota Department of Transportation for the installation of telephone facilities within the highway right-of-way of US Highway Number 81 in McCook County, South Dakota.
- (26) Utility Permit (Permit No. 972031) issued April 5, 1997 by the South Dakota Department of Transportation for the installation of telephone facilities within the highway right-of-way of South Dakota Highway Number 42 in Minnehaha County, South Dakota.
- (27) Utility Permit (Permit No. 972028) issued April 5, 1997 by the South Dakota Department of Transportation for the installation of telephone facilities within the highway right-of-way of South Dakota Highway Number 42 in Minnehaha County, South Dakota.
- (28) US West Enhanced 911 Services Agreement assumed by Bridgewater pursuant to the Bridgewater Acquisition.
- (29) Certificate of Authority granted from the South Dakota Public Utilities Commission.
- (30) Utility Crossings Agreement No. NL1260 between Bridgewater and the South Dakota Division of Railroads for crossing the Burlington Northern railway right of way.

Telecommunications Providers in Armour and Bridgewater Exchange Boundaries:

A list of all telecommunication providers as referred to in Section 4.25(iii) within the Armour and Bridgewater exchange boundaries is attached as Exhibit 1.

EXHIBIT 1 - ARMOUR/BRIDGEWATER SCHEDULE 4.25

Armour:

- (1) Western Wireless owns the A (Non-Wireline) license for SD RSA 7 and operates under the Cellular One brand.
- (2) South Dakota 7 - Sully Limited Partnership is the licensee partnership holding the B (Wireline) license for SD RSA 7. CommNet Cellular, Inc. is the manager of the partnership.
- (3) Sprint Telecommunications received the A block PCS license for the Minneapolis - St. Paul MTA. Sprint has partitioned 10Mhz to Brookings Municipal Utilities in South Dakota. Brookings operating under the name SwiftTel is building a PCS system in Watertown, Brookings and Sioux Falls. They expect to be operational in 1999.
- (4) American Portable Telecommunications received the B block PCS license for the Minneapolis - St. Paul MTA.
- (5) MCG PCS, Inc. received the C Block PCS license for the Mitchell BTA.
- (6) Western PCS received the D Block PCS license for the Mitchell BTA.
- (7) The FCC holds the E Block PCS license for the Mitchell BTA.
- (8) Redwood Wireless received the F Block PCS license for the Mitchell BTA.
- (9) ABS LMDS Joint Venture received the A Block LMDS license for the Mitchell BTA.
- (10) Eclipse Communications Corp. received the B Block LMDS license for the Mitchell BTA.
- (11) Motorola Iridium satellite network would be capable of providing service in the Armour area when functional.

BridgeWater:

- (1) Western Wireless owns the A (Non-Wireline) license for SD RSA 7 and operates under the Cellular One brand.
- (2) South Dakota 7 - Sully Limited Partnership is the licensee partnership holding the B (Wireline) license for SD RSA 7. CommNet Cellular, Inc. is the manager of the partnership.
- (3) Western Wireless owns the A (Non-Wireline) license for SD RSA 9 and operates under the Cellular One brand.
- (4) Eastern South Dakota Cellular of South Dakota Limited Partnership is the licensee partnership holding the B (Wireline) license for SD RSA 9. CommNet Cellular, Inc. is the manager of the partnership.

- (5) Sprint Telecommunications received the A block PCS license for the Minneapolis - St. Paul MTA. Sprint has partitioned 10MHz to Brookings Municipal Utilities in South Dakota. Brookings operating under the name Swiftel is building a PCS system in Westtown, Brookings and Sioux Falls. They expect to be operational in 1999.
- (6) A joint venture of Rural Cellular Corp and Aerial Communications is providing PCS service in Sioux Falls under the UniCel Brand. I do not know which license they are using.
- (7) American Portable Telecommunications received the B block PCS license for the Minneapolis - St. Paul MTA.
- (8) MCG PCS, Inc. received the C Block PCS license for the Mitchell BTA.
- (9) Western PCS received the D Block PCS license for the Mitchell BTA.
- (10) The FCC holds the E Block PCS license for the Mitchell BTA.
- (11) Radwood Wireless received the F Block PCS license for the Mitchell BTA.
- (12) The FCC holds the C Block PCS license for the Sioux Falls BTA.
- (13) Western PCS received the D Block PCS license for the Sioux Falls BTA.
- (14) McLeod, Inc. received the E Block PCS license for the Sioux Falls BTA.
- (15) Northeast Nebraska received the F Block PCS license for the Sioux Falls BTA.
- (16) ABS LMDS Joint Venture received the A Block LMDS license for the Mitchell BTA.
- (17) Eclipse Communications Corp. received the B Block LMDS license for the Mitchell BTA.
- (18) ABS LMDS Joint Venture received the A Block LMDS license for the Sioux Falls BTA.
- (19) Eclipse Communication Corp. received the B Block LMDS license for the Sioux Falls BTA.
- (20) Motorola Iridium satellite network would be capable of providing service in the Bridgewater area when functional.

SCHEDULE 4.26

Liabilities

None.

SCHEDULE 5.0

Exceptions to Covenants

- (1) As previously stated in Schedule 4.5, Mildred Armentrout and JoAnn Harden have each executed assignments transferring their respective directive qualifying shares to William G. Haugen Jr., which will be effected immediately prior to Closing. At Closing, therefore, neither Mildred Armentrout nor JoAnn Harden will be shareholders of Armour.
- (2) Immediately prior to Closing, William G. Haugen, Marilyn M. Haugen, William G. Haugen, Jr., Mildred Armentrout and JoAnn Harden will each transfer their respective director qualifying share to Armour. At Closing, therefore, William G. Haugen, Marilyn M. Haugen, William G. Haugen, Jr., Mildred Armentrout and JoAnn Harden will no longer be shareholders of Bridgewater. Armour will then own 100% of Bridgewater.
- (3) Subsequent to signing the Stock Purchase Agreement, the Shareholders will file with the South Dakota Secretary of State the amendment to Article IV of the Bridgewater Articles of Incorporation set forth in the attached Writing in Lieu of Meeting of Shareholders of Bridgewater and Writing in Lieu of Meeting of Directors of Bridgewater.
- (4) Subsequent to signing, the Shareholders will also file any mutually agreed upon amendments to the Articles of Incorporation of Armour and/or Bridgewater with the South Dakota Secretary of State.

WRITING IN LIEU OF MEETING OF SHAREHOLDERS
OF BRIDGEWATER-CANISTOTA INDEPENDENT TELEPHONE CO.

The undersigned, being all of the shareholders of BRIDGEWATER-CANISTOTA INDEPENDENT TELEPHONE CO., a South Dakota corporation, entitled to notice of a meeting of shareholders hereby waive all requirements of notice of meeting of shareholders and consent to the adoption of this writing in lieu of a meeting of shareholders of said corporation.

The actions set forth below are hereby adopted and shall be of the same effect as if adopted at a meeting of shareholders of said corporation duly called and held for the purpose of taking such actions. This writing is hereby ordered filed with the minutes of meetings of shareholders.

RESOLVED, that Article IV of the Articles of Incorporation of this corporation be amended to read as follows:

ARTICLE IV

The corporation's lines of telephone or telegraph are to be constructed or maintained and operated from the City of Bridgewater and outside the City of Bridgewater for approximately 300 miles in length and from the City of Canistota, South Dakota, and outside the City of Canistota for approximately 200 miles in length. These lines of telephone or telegraph shall extend or be constructed through or into the county of McCook and adjacent counties in the State of South Dakota, or such other territories established by the Public Utilities Commission of the State of South Dakota.

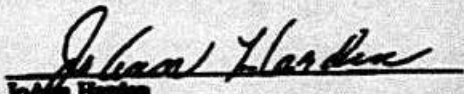
FURTHER RESOLVED, that the shareholders do hereby approve, confirm and ratify all of the past actions of the directors and officers of this corporation from its inception to the present date.

Dated this 18th day of December, 1998.

William Haugen, Sr.
William Haugen, Sr.

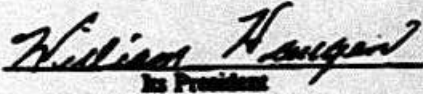
Marilyn Haugen
Marilyn Haugen


William Houghton, Jr.


Joseph Harden


Mildred E. Armstrong

ARMOUR INDEPENDENT TELEPHONE
CO.

By 
Its President

WRITING IN LIEU OF MEETING OF DIRECTORS
OF BRIDGEWATER-CANISTOTA INDEPENDENT TELEPHONE CO.

The undersigned, being all of the directors of BRIDGEWATER-CANISTOTA INDEPENDENT TELEPHONE CO., a South Dakota corporation, entitled to notice of a meeting of directors hereby waive all requirements of notice of meeting of directors and consent to the adoption of this writing in lieu of a meeting of directors of said corporation.

The actions set forth below are hereby adopted and shall be of the same effect as if adopted at a meeting of directors of said corporation duly called and held for the purpose of taking such actions. This writing is hereby ordered filed with the minutes of meetings of directors.

RESOLVED, that Article IV of the Articles of Incorporation of this corporation be amended to read as follows:

ARTICLE IV

The corporation's lines of telephone or telegraph are to be constructed or maintained and operated from the City of Bridgewater and outside the City of Bridgewater for approximately 300 miles in length and from the City of Canistota, South Dakota, and outside the City of Canistota for approximately 200 miles in length. These lines of telephone or telegraph shall extend or be constructed through or into the county of McCook and adjacent counties in the State of South Dakota, or such other territories established by the Public Utilities Commission of the State of South Dakota.

FURTHER RESOLVED, that the directors do hereby approve, confirm and ratify all of the past actions of the directors and officers of this corporation from its inception to the present date.

Dated this 18th day of December, 1998.

William Haugen, Sr.
William Haugen, Sr.

Marilyn H. Haugen
Marilyn Haugen

William Haugen, Jr.
William Haugen, Jr.

JoAnn Harden
JoAnn Harden

Mildred E. Anderson
Mildred E. Anderson

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

RECEIVED

JAN 13 1999

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

IN THE MATTER OF THE SALE OF THE)
STOCK OF UNION TELEPHONE COMPANY OF)
HARTFORD, AND ARMOUR INDEPENDENT)
TELEPHONE CO., INCLUDING ITS WHOLLY-)
OWNED SUBSIDIARY BRIDGEWATER-)
CANISTOTA INDEPENDENT TELEPHONE CO.,)
TO MJD SERVICES CORP.)

TC99-

**PREFILED DIRECT TESTIMONY OF
PATRICK L. MORSE**



Prefiled Direct Testimony of Patrick L. Morse

Q. Please state your name and business address.

A. Patrick L. Morse, 908 W. Frontview, P.O. Box 199, Dodge City, Kansas 67801.

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

A. I am President of ST Enterprises, Ltd. ("STE"), an affiliate of MJD Services Corp. ("MJD"), and President of Kadoka Telephone Company, a wholly-owned subsidiary of MJD.

Q. What is your educational and professional background?

A. I graduated from Fort Hays State University in Hays, Kansas and hold degrees in marketing and management. I joined Sunflower Telephone Company ("Sunflower") in 1979, working in the outside plant area. In 1980, I became the Office Manager for Sunflower. I was later promoted to Vice President of Operations and Marketing for Sunflower and STE, Sunflower's parent company. Sunflower was acquired by MJD Communications in May 1993. I currently have overall responsibility for managing Sunflower and STE's business operations in the Midwest and Southwest.

Q. What is the purpose of your testimony?

A. To provide the factual information needed by the South Dakota Public Utilities Commission ("Commission"), pursuant to SDCL 49-31-59, to evaluate MJD's request for Commission approval of its stock purchase of Union Telephone Company of Hartford ("Union"), and Armour Independent Telephone Co. ("Armour"), including its wholly-owned subsidiary, Bridgewater-Canistota Independent Telephone Co. ("Bridgewater-Canistota") (collectively "the Companies").

Q. Please describe MJD's and STE's current local telephone company operations.

A. MJD, with its affiliates, is currently the 18th largest telephone company in the United States, and, with its affiliates, operates 17 local exchange companies serving in excess of 128,000 access lines in ten states. Attachment A is an organizational chart depicting MJD, its parent, and affiliates.

STE is an affiliate of MJD, has 30 employees and will provide managerial, accounting and other support services to the Companies.

Q. MJD purchased Kadoka Telephone Company on January 1, 1997. Have any customer complaints concerning Kadoka Telephone Company been filed with the Commission since that acquisition?

A. Not to my knowledge. It was our goal to make the change over invisible to the customers, and I believe we were successful. We have the same goal for the Union, Armour, and Bridgewater-Canistota acquisitions.

Q. Please describe Union, Armour, and Bridgewater-Canistota.

A. The three companies are family-owned, independent telephone companies. Union operates two exchanges serving the communities of Hartford and Wall Lake. Union is situated just west of Sioux Falls. The Company serves approximately 1,599 access lines (1,330 residential and 269 business) and provides extended area service ("EAS") from: Hartford to Sioux Falls, Wall Lake to Sioux Falls, between Wall Lake and Hartford.

Armour operates one exchange serving the community of Armour. Armour is situated in the southeastern portion of the state and is approximately 28 miles south of I-90 on Highway 281. Armour serves approximately 693 access lines (492 residential and 201 business) and has no EAS to any other communities.

Bridgewater-Canistota operates two exchanges serving the communities of Bridgewater and Canistota. The Company is situated approximately 30 miles west of Sioux Falls. The Company serves approximately 961 access lines (788 residential and 173 business) and has no EAS to any other communities.

THE IMPACT OF THE SALE ON RATES

Q. Will the stock sales result in an increase in rates for customers of any of the Companies?

A. No. The sales will not cause rates to increase, and no rate design changes are contemplated. Attachment B contains a list, by company, of all of the current services and the applicable rates. In addition, MJD agrees not to increase rates or change rate design in a manner that would increase any existing rate, except in response to a Commission Order or to reflect a change in local tax rates on a flow through basis, for a period of 18 months from the date of the closing.

Q. What switched access rates will be charged to interexchange toll carriers.

A. The existing switched access rates will not change as a result of this sale. Rates will only change if the Commission orders a change pursuant to its ongoing regulation of switched access rates. The current switched access rates for all three Companies are \$0.0708 originating and \$0.0903 terminating (the current LECA rates).

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

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

THE IMPACT OF THE SALE ON SERVICES

Q. What services will be offered after these sales are approved?

A. All services currently provided by the three Companies will continue to be available after the sale. Some of the services currently available are: voice mail service, caller ID, wakeup call, last call return, call waiting, continuous redial, call forwarding, per call block, per line block, anonymous call rejection, and three way calling. A list of the current service offerings is contained on Attachment B. As I described earlier, EAS is available in the Union exchanges. We will provide new services as they become available through new technology and as requested by our customers.

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

A. Yes. MJD is committed to working with the schools, libraries and health organizations to meet all of their communications needs, including distance learning and tele-medicine. We will also assist them in preparing grant and loan proposals for these projects. One distance learning project has been approved and is in the engineering and implementation stage. It involves the West Central, Bridgewater, and Canistota School Districts, as well as several other school districts. There have been no requests for tele-medicine. A list of the schools, hospitals and libraries served by the Companies is attached as Attachment C.

Q. Will emergency services be affected by these sales?

A. No. We will continue existing emergency services and will work with the counties whenever their needs change. We are not aware of any dial tone delay associated with any of our 911 services. We will also provide the counties with accurate data for their databases. Armonk also offers firebar service (the other communities are not currently

interested in this service). See Attachment D for a listing of the current emergency services provided by the Companies.

Q. EAS is available in the Union exchanges between Hartford and Sioux Falls, Wall Lake and Sioux Falls, and between Wall Lake and Hartford. Are there other pending requests for EAS?

A. There are no pending EAS requests.

Q. Do the customers of these companies have local access to Internet?

A. Yes. Union TelNet provides Internet service, which is available on a local calling basis.

FACILITIES

Q. Are switching or other facility changes currently contemplated?

A. No. Both the inside and outside plant appears to be in very good shape. The Companies are served by 5 state-of-the-art Mitel GX5000 switches, using the 5007 MRI software release. The Companies have approximately 60 miles of fiber, both interexchange and intraexchange. There are currently six fiber hubs in Union, and one each in Armour and Brigidewater-Canistota. Therefore, no immediate facility changes are required. The Company will, of course, repair and replace facilities as needed and will upgrade its facilities as new technologies develop, and when needed to provide new services to the customers.

Q. Will the Companies comply with SDCL 49-31-62 through 65?

A. Yes. At the current time, there does not appear to be sufficient demand to make it economically feasible to offer narrow band service using current ISDN technology. We believe, however, that new alternative technologies are being developed that should

improve the ability to offer narrow-band service at a rate that would be more acceptable to our customers while complying with the statutory 2002 deadline.

CUSTOMER SERVICES AND REPAIRS

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

A. The customers should not notice any change in customer services and repairs. The Company will not close the current office in Hartford, where customers can address service needs or billing questions. In addition, with the exception of the three primary owners of the Companies, the fourteen existing employees will be retained. The management tasks currently performed by the owners of the companies will be taken over by myself, supported by the other STE employees. Some of the functions that STE will assume responsibility for include accounting, customer billing, human resources, and general corporate management. Customers will have ready access to the Companies, either in person at our Hartford Office, or through a local or a toll-free telephone call.

AFFECT OF SALE ON OTHERS

Q. Will the sale have any affect on parties having contracts with the Companies?

A. No. Because this is a stock sale, it will have no impact on existing contracts, leases, licenses, and other agreements that relate to, arise from, or are used for the operation of the Companies.

ECONOMIC DEVELOPMENT

Q. How will the stock purchase affect economic development?

A. It should have a positive impact. First, we will provide state-of-the-art services, allowing the communities we serve to compete for new businesses and to retain existing

businesses. Second, MJD is very aware of the importance of economic development activities in rural communities. We encourage our employees to be involved in these activities and in other civic groups. We also encourage local community leaders to attend economic development seminars, and MJD will help defray the cost of attending such events. In addition, we will provide economic support to the local economy by maintaining the local office in Hartford and buying our supplies and services locally.

UNIVERSAL SERVICE FUND IMPACT

- Q. Have the three companies qualified as eligible telecommunications carriers ("ETCs"), and will the stock transfer affect that qualification?**
- A. All three companies have been certified as ETCs, and the stock transfer should have no impact on that certification. We fully intend to satisfy all of the ETC obligations.**
- Q. What impact, if any, will the stock sale have on the interstate universal service fund?**
- A. Because this is a stock sale, it will have no impact on the Companies' Study Areas and, therefore, no impact on the universal service fund.**

TAX CONSEQUENCES

- Q. What are the tax consequences of this stock sale?**
- A. None. Each of the three companies is currently an independent telephone company subject to gross receipts tax, and they will continue to operate as independent telephone companies after the sale. In addition, existing services will be continued using the existing rates, therefore, the gross receipts tax revenues to the school districts are not expected to change.**

MJD'S FINANCIAL QUALIFICATIONS

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

A. Yes. A proprietary exhibit containing pro forma net income statements, cash flow statements, and balance sheets have been prepared and filed separately, along with this testimony, for Union, Armour and Bridgewater-Canistota.

Q. How will MJD finance this acquisition?

A. MJD Communications, Inc., the parent company of MJD Services Corp., will draw down funds under an existing Senior Secured Credit Facility ("Credit Facility"). MJD Communications, Inc. will loan those funds to MJD Services Corp., as an intercompany loan, to purchase the Union and Armour stock. The Credit Facility requires that the stock of Union, Armour and their subsidiaries be pledged as collateral; however, no guarantees will be required by Union, Armour or their subsidiaries, nor will any liens be placed on the assets of Union, Armour, or their subsidiaries.

FCC APPROVAL IS NOT REQUIRED

Q. Is FCC approval of this stock sale required?

A. No.

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

Q. SDCL 49-31-60 through 49-31-68 seek to ensure "that all citizens of South Dakota realize the advantages of the forthcoming information age, including economic development, educational opportunities, a heightened level of medical care, and better,

more efficient services from all levels of government". Are the stock sales consistent with these goals?

- A. Absolutely. As I have indicated, MJD is deeply committed to economic development and will support all reasonable economic development efforts in our communities. We will also provide the services needed by our customers, allowing our communities to attract new and retain existing businesses. The Companies are already involved in one distance-learning project and are willing and able to do more, not only for schools, but also for libraries, medical and governmental operations.

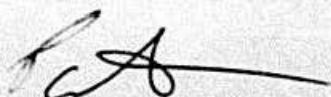
CONCLUSION

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

- A. Yes. Union, Armour, and Bridgewater-Canistota will be owned by an organization with more diverse telephone holdings and economic strength than the current owners of the Companies. Consequently, MJD will be better positioned to help the Companies succeed in the changing environment faced by local telephone companies. The new manager of the Companies, STE, will also have access to broader expertise than the current management of the Companies. Rates will not increase as a result of the sale. All existing services will be retained, and new state-of-art services will be available when customer demand is sufficient. Service questions will continue to be handled locally and, at the option of the customer, on a face-to-face basis. The Company will also be a strong participant in local economic development projects, distance learning, tele-medicine, and whatever other services are needed to help make the communities we serve strong and viable.

Q. Does this conclude your testimony?

A. Yes.

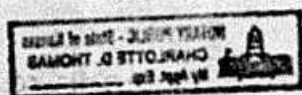


Patrick L. Morse

SWORN TO BEFORE ME this
8 day of January, 1999


NOTARY PUBLIC

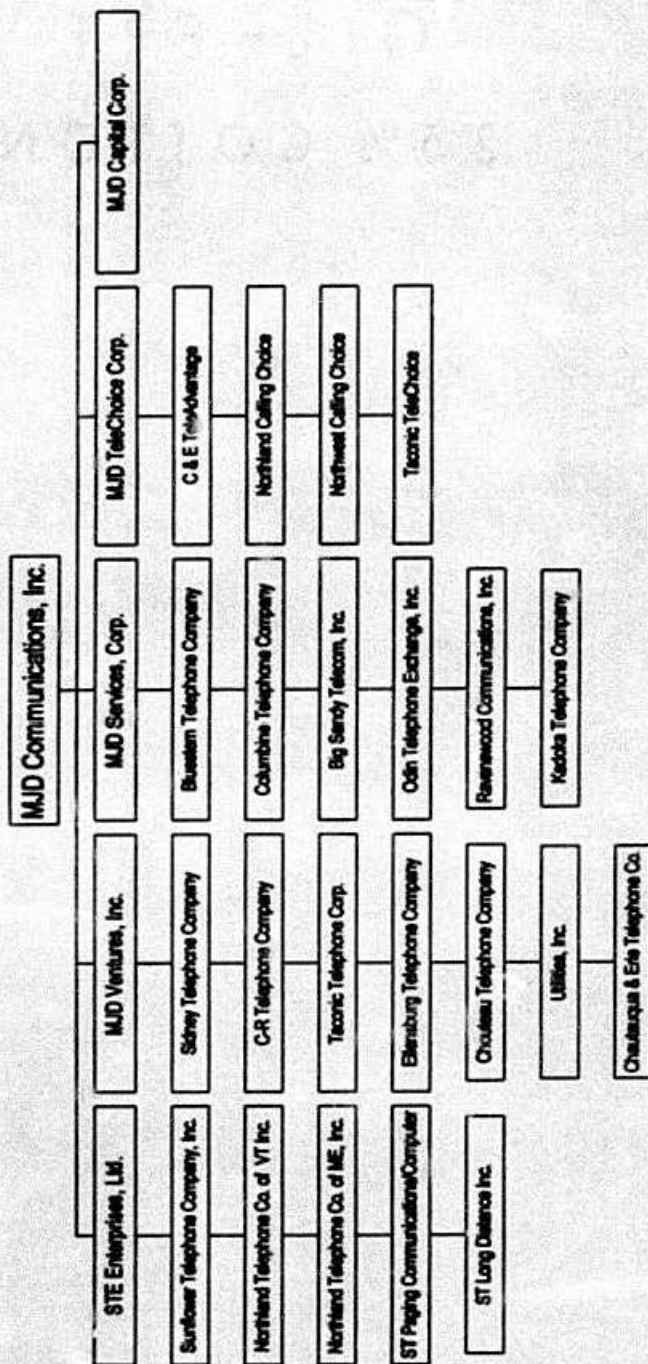




MJD Communications, Inc.

Corporate Structure

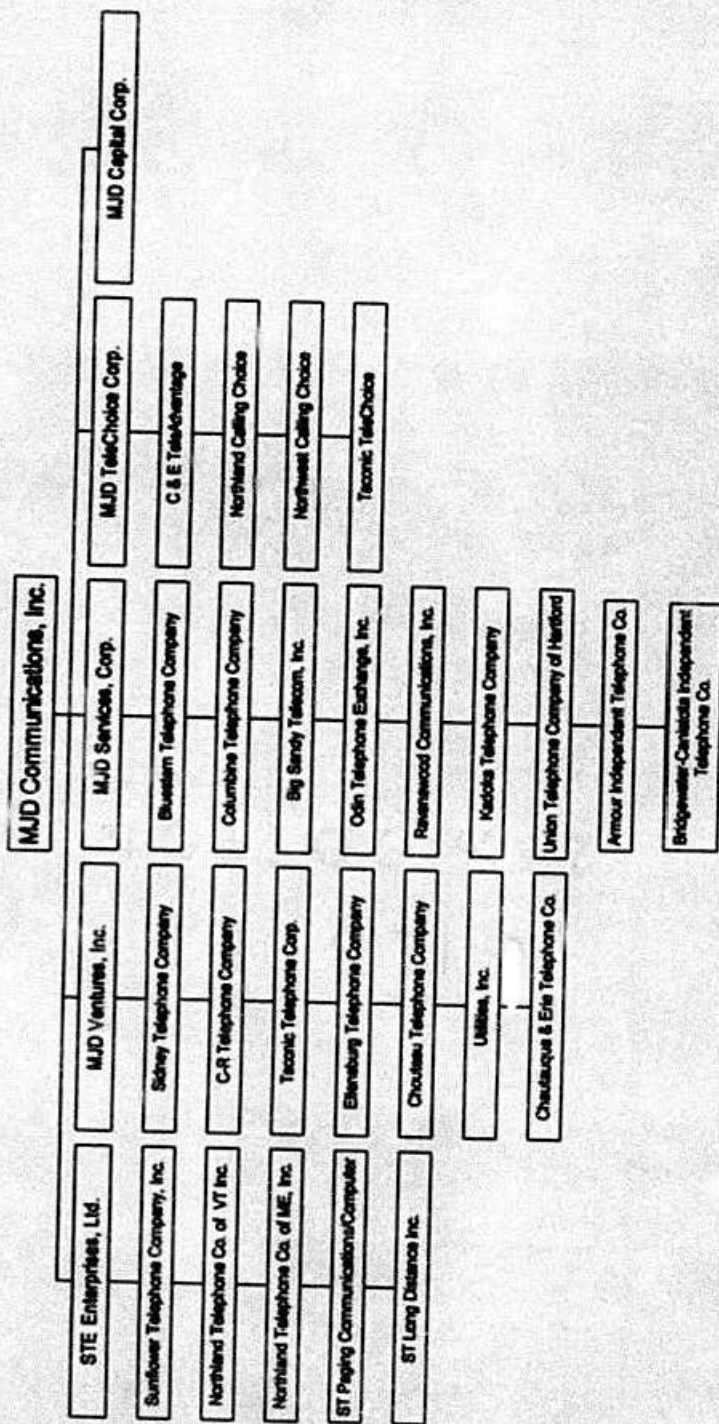
Pre-acquisition



MJD Communications, Inc.

Corporate Structure

Post-acquisition



Attachment B

Bridgewater-Canistota Telephone Company

1 Party Business Service - City	23.60
1 Party Business Service - Rural	26.60
Market Expansion Line	16.00
1 Party Residence Line - Rural	15.00
1 Party Residence Line - City	12.00
Measured Residence Line - City	8.00
Measured Residence Line - Rural	11.00
Additional Listing	1.00
If No Answer Listing	3.50
Unlisted Non-Published	1.00
Line Backer	1.95
Mini Line Backer	.80
Voice Mail	4.95
Three Way Calling	1.50*
Caller ID Block-Per Line	2.75
30 Number Speed Calling	2.50*
8 Number Speed Calling	1.50*
30 Number Speed Call	1.00*
Call Forwarding	1.50*
Call Waiting	1.50*
Call Waiting	1.00*
Call Forward Busy Line	8.95
Call Forwarding	1.00*
Wake-Up Call	1.95
Touch Tone	1.50
Three Way Calling	1.00*
8 Number Speed Calling	1.00*
Continuous Redial	1.95
Selective Call Acceptance	1.95
Selective Call Rejection	1.95
Selective Call Forward	1.95
Caller ID	3.95
Last Call Return	1.95
Anonymous Caller Reject	1.95
Lease for Display Unit	2.50
Account Code	1.50
Service Order Charges	8.00
Central Office Charges	10.00
Trip Charge	15.00
Hunting Feature	8.95

Toll Denial 900 Block Only
Toll Denial Local 800 Service
Toll Denial Local Service Only
Carrier Change Charge

N/C
N/C
N/C
5.00

* The services marked with an * may be taken individually or as a package. The higher rate represents the rate to the customer of the first service. The lower rate is the rate of each additional service.

Armour Independent Telephone Company

City Business	14.00
Rural Business	16.00
City Residence	9.00
Rural Residence	11.00
Dual Service	9.00
Touch Tone - Business	1.50
Line Backer	.85
Touch Tone - Residence	1.50
Off Premise Extension	2.00
Multiline Hunt Group	3.50
Caller ID	4.95
Lease for Display Unit	2.50
Block Per Line-Published	2.75
Block Per Line-Non-Published	N/C
Call Waiting/Call Waiting Cancelled	1.50*
Call Forwarding	1.50*
Three-Way Calling	1.50*
Speed Calling - 8	1.50*
Speed Calling - 30	1.50*
Voice Mail	4.95
Additional Listing	1.00
Continuous Redial	1.95
Last Call Return	1.95
Wake Up Call	1.95
Call Waiting/Call Waiting Cancelled	1.00*
Call Forwarding	1.00*
Three-Way Calling	1.00*
Speed Calling - 8	1.00*
Speed Calling - 30	1.00*
Non-Published	1.00
Fire Bar	37.20
Account Code	1.50
Service Order Charge	8.00
Central Office Charge	10.00
Trip Charge	15.00
Toll Denial 900 Block Only	N/C
Toll Denial 800 Service Only	N/C
Toll Denial Local Service Only	N/C
Carrier Change Charge	5.00

* The services marked with an * may be taken individually or as a package. The higher rate represents the rate to the customer of the first service. The lower rate is the rate of each additional service.

Union Telephone Company

City Residential	12.40
Rural Residential	16.50
City Business	18.60
Rural Business	23.40
Line Backer	.85
City Residential LMS	6.00
Rural Residential LMS	10.50
City Business LMS	15.00
Rural Business LMS	19.00
Business Rotary Extension	1.25
Residence Rotary Extension	1.00
Touch Tone Extension	1.00
Off Premise Extension	2.00
Multiline Hunt Group	5.50
Non-Published Service	1.00
Additional Listing	1.00
Account Code	1.50
Toll Denial 900 Block Only	N/C
Toll Denial Local 800 Service Only	N/C
Toll Denial Local Service Only	N/C
Touch Tone Service	1.50
Rural Payphone	35.10
City Payphone	27.90
Hearing Adapter	1.00
Call Forwarding/No Answer	1.50*
Call Forwarding/No Answer	1.00*
Call Waiting/Call Waiting Cancelled	1.50*
Call Waiting/Call Waiting Cancelled	1.00*
Call Forwarding	1.50*
Call Forwarding	1.00*
Speed Dial 8#	1.50*
Speed Dial 8#	1.00*
3-Way Calling	1.50*
3-Way Calling	1.00*
Speed Dial 30#	2.50
Caller ID	3.95
Anonymous Call Rejection	1.95
Continuous Redial	1.95
Last Call Return	1.95
Wake Up Call	1.95
Per Line Block	2.75
Voice Mail	4.95

Selective Call Reject Listing	1.95
Service Order Charge	8.00
Central Office Charge	10.00
Trip Charge	15.00
Carrier Change Charge	5.00

* The services marked with an * may be taken individually or as a package. The higher rate represents the rate to the customer of the first service. The lower rate is the rate of each additional service.

Attachment C

School Districts located in Service Areas

	<u>School District</u>	<u>State Number</u>
Union Telephone Company of Hartford	West Central	49-7
Armour Independent Telephone Co.	Armour	21-1
Bridgewater-Canistota Independent Telephone Co.	Bridgewater Canistota	43-6 43-1

School Districts overlapping Service Areas

	<u>School District</u>	<u>State Number</u>
Union Telephone Company of Hartford	TriValley Parker	49-6 60-4
Armour Independent Telephone Co.	Corsica Tripp-Deimont	21-2 33-5
Bridgewater-Canistota Independent Telephone Co.	Montrose McCook Central Emery	43-2 43-7 30-2

Libraries

Union Telephone Company of Hartford	Minnehaha County Library Branch
Armour Independent Telephone Co.	Carnegie Library

Hospitals

Armour Independent Telephone Co.	Douglas County Memorial Hospital
----------------------------------	----------------------------------

Attachment D

Emergency Services

	<u>County</u>	<u>Service</u>
Union Telephone Company of Hartford	Minnehaha	E911
	Turner	E911
Armour Independent Telephone Co.	Douglas	E911
	Charles Mix	E911
Bridgewater-Canistota	McCook	911
Independent Telephone Co.	Hutchinson	911

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

RECEIVED

JAN 12 1999

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

IN THE MATTER OF THE SALE OF THE STOCK)
OF UNION TELEPHONE COMPANY OF HARTFORD)
AND ARMOUR INDEPENDENT TELEPHONE CO.,)
INCLUDING ITS WHOLLY-OWNED SUBSIDIARY)
BRIDGEWATER-CANISTOTA INDEPENDENT)
TELEPHONE CO., TO MJD SERVICES CORP.)

TC99-

REQUEST FOR CONFIDENTIAL TREATMENT OF INFORMATION

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

1. The first document in the attached sealed envelope are those pages from the Stock Purchase Agreement between MJD and Union Telephone Company of Hartford ("Union"), which contain the agreed upon purchase price and other financial information related to Union.
2. The second document in the attached sealed envelope are those pages from the Stock Purchase Agreement between MJD and Armour Independent Telephone Co. ("Armour"), which includes the acquisition of Bridgewater-Canistota Independent Telephone Co. ("Bridgewater-Canistota"). These pages contain the agreed upon purchase price and other financial information related to Armour.
3. The third document in the attached sealed envelope are the pro forma net income statements, cash flow statements and balance sheets prepared for Union.

3. The third document in the attached sealed envelope are the pro forma net income statements, cash flow statements and balance sheets prepared for Union.

4. The fourth document in the attached sealed envelope are the pro forma net income statements, cash flow statements and balance sheets prepared for Armour.

5. The fifth document in the attached sealed envelope are the pro forma net income statements, cash flow statements and balance sheets prepared for Bridgewater-Canistota.

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

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

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

9. The length of time for which confidentiality is being requested for the pages of the Stock Purchase Agreements is ten years.

10. If the purchase price becomes public, possible future buyers would gain important knowledge regarding MJD's estimate of the value of Union, Armour, and Bridgewater-Canistota. Moreover, a known prior purchase price for one company may be treated by sellers as a floor price, which could escalate prices for future acquisitions. Such consequences meet the broad definition of trade secret found in SDCL § 37-29-1(4). The

South Dakota Public Utilities Commission ("Commission") has adopted ARSD 20:10:01:39, which mandates confidential treatment for trade secrets. Such treatment is warranted here.

7. Pursuant to ARSD 20:10:01:39, the Commission may treat information as confidential. The purchase price was treated as confidential in each of the dockets authorizing the sale of US WEST Communications, Inc. exchanges. See e.g., Docket TC94-122 and Docket TC96-125; the sale of the Kadoka Telephone Company stock, Docket TC96-167; the sale of the Jefferson Telephone Company stock, Docket TC97-159; the sale of the Kennebec Telephone Company, Inc. stock, Docket TC98-114; and the sale of the Valley Telephone Company stock, Docket TC98-150. Commission Rule, ARSD 20:10:01:43, requires confidential treatment of information when such information has been treated as confidential in a prior ruling.

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

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

10. The length of time for which confidentiality is being requested for the pro formas is ten years.

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

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

Dated: January 12, 1999

Respectfully submitted,

By Michael J Bradley
Michael J Bradley *by sh*

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

Attorneys on Behalf of MJD Services Corp.

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JAN 12 1999

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Certificate of Service

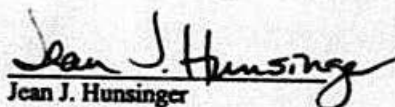
I hereby certify that an original and eleven copies of the above and foregoing Joint Application, along with the Prefiled Direct Testimony of Patrick L. Morse, and Request for Confidential Treatment of Information, were sent via Federal Express on the 12th day of January, 1999, to the following:

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

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

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

and a true and correct copy by Federal Express or United States Mail, postage prepaid, to the persons on the attached list.


Jean J. Hunsinger

Michael J. Stein
MJD Services Corp.
908 W Frontview
Dodge City, KS 67801-0199

Patrick L. Morse
Vice President, General Manager
ST Enterprises, Ltd.
P O Box 199
308 W Frontview
Dodge City, KS 67801-0199

Shirley J. Linn
Underwood Kinsey Warren & Tucker
Charlotte Plaza Building, Suite 2020
201 S College Street
Charlotte, NC 28244-2020

William Haugen
Union Telephone Company
116 N Main Avenue
Hartford, SD 57033

CONFIDENTIAL 1

South Dakota Public Utilities Commission

WEEKLY FILINGS

For the Period of January 7, 1999 through January 13, 1999

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

Phone: 605-773-3705. Fax: 605-773-3809.

TELECOMMUNICATIONS

- TC99-004** In the Matter of the Application of Telelobe USA Inc. for a Certificate of Authority to Provide Telecommunications Services in South Dakota

Application by Telelobe USA Inc. for a Certificate of Authority to provide resold intrastate interexchange telecommunications services in the State of South Dakota. Proposed services initially include switched outbound voice services and, in the future, prepaid and postpaid calling card services, 800/888, private line, and data services.

Staff Attorney: Karen Cremer

Staff Analyst: Michele Farris

Date Filed: 01/07/99

Intervention Deadline: 01/29/99

- TC99-005** In the Matter of the Sale of the Stock of Union Telephone Company and Armour Independent Telephone Company, Including its Wholly Owned Subsidiary Bridgewater-Canistota Independent Telephone Company to MJD Services Corp.

MJD Services Corp. proposes to purchase and Union Telephone Company of Hartford ("Union") and Armour Independent Telephone Co. ("Armour"), including its wholly-owned subsidiary, Bridgewater-Canistota Independent Telephone Co. ("Bridgewater-Canistota") proposes to sell the stock of Union and Armour in this joint application. ST Enterprises, Ltd., an affiliate of MJD Services Corp. will manage the Union, Armour, and Bridgewater-Canistota exchanges after the sale. Union currently serves approximately 1,599 access lines in the Hartford and Wall Lake exchanges. Armour currently serves approximately 693 access lines in the Armour exchange. Bridgewater-Canistota serves approximately 961 access lines in the Bridgewater and Canistota exchanges.

Staff Attorney: Karen Cremer

Staff Analyst: Michele Farris

Date Filed: 01/13/99

Intervention Deadline: 01/29/99

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NOTED - 5-4-99

RECEIVED

FEB 09 1999

BEFORE THE PUBLIC UTILITIES COMMISSION

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE SALE OF
THE STOCK OF UNION TELEPHONE
COMPANY AND ARMOUR INDE-
PENDENT TELEPHONE COMPANY,
INCLUDING ITS WHOLLY-OWNED
SUBSIDIARY, BRIDGEWATER-
CANISTOTA INDEPENDENT TELE-
PHONE COMPANY TO MJD SERVICES
CORP.

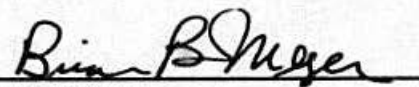
Docket No. TC99-005

NOTICE OF APPEARANCE

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

Please take notice that Brian B. Meyer, the undersigned attorney, of Meyer & Rogers, P. O. Box 1117, Pierre, South Dakota 57501, will appear in the above-named case on behalf of UNION TELEPHONE COMPANY, ARMOUR INDEPENDENT TELEPHONE COMPANY, and BRIDGEWATER-CANISTOTA INDEPENDENT TELEPHONE COMPANY, in all proceedings.

Dated this eighth day of February, 1999.


Brian B. Meyer
Meyer & Rogers
P. O. Box 1117
Pierre, South Dakota 57501

CERTIFICATE OF SERVICE

The undersigned hereby certifies that he served a copy of the foregoing **NOTICE OF APPEARANCE** upon the persons herein next designated, on the date below shown, by depositing a copy thereof in the United States mail at Pierre, South Dakota, postage prepaid, in an envelope addressed to said addressee, to-wit:

William Haugen
Union Telephone Company
116 North Main Avenue
Hartford, South Dakota 57033

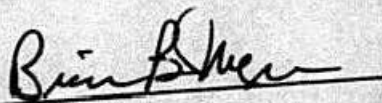
Michael J. Stein
MJD Services Corp.
908 West Frontview
Dodge City, Kansas 67801-0199

Michael J. Bradley
Moss & Barnett
4800 Northwest Center
90 South 7th St.
Minneapolis, Minnesota 55402-4129

Patrick L. Morse
ST Enterprises, LTD
P. O. Box 199
Dodge City, Kansas 67801-0199

Shirley J. Linn
Underwood, Kinsey, Warren & Tucker
201 South College St., Suite 2020
Charlotte, North Carolina 28244-2020

Dated this eighth day of February, 1999.



Brian B. Meyer
MEYER & ROGERS
P. O. Box 1117
Pierre, South Dakota 57501

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

IN THE MATTER OF THE SALE OF THE	) ORDER FOR AND NOTICE
STOCK OF UNION TELEPHONE COMPANY	) OF HEARING
AND ARMOUR INDEPENDENT TELEPHONE	)
COMPANY, INCLUDING ITS WHOLLY-OWNED	) TC99-005
SUBSIDIARY BRIDGEWATER-CANISTOTA	)
INDEPENDENT TELEPHONE COMPANY TO	)
MJD SERVICES CORP.	)

On January 13, 1999, the Public Utilities Commission (Commission) received a Joint Application from Union Telephone Company (Union) and Armour Independent Telephone Company (Armour), including its wholly-owned subsidiary, Bridgewater-Canistota Independent Telephone Company (Bridgewater-Canistota), and MJD Services Corp. (MJD). The applicants requested approval of the sale of the Union and Armour stocks to MJD. The applicants stated that "[w]hile the Union, Armour, and Bridgewater-Canistota stocks are being sold to MJD, an affiliate of MJD, ST Enterprises, Ltd. (STE) will manage the Union, Armour, and Bridgewater-Canistota exchanges after the sale."

On January 13, 1999, the Commission electronically transmitted notice of the filing and the intervention deadline of January 29, 1999, to interested individuals and entities. No petitions to intervene or comments were filed.

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

A hearing shall be held on March 10, 1999, at 1:30 p.m., at 108 North Main Avenue, Hartford, South Dakota. The issue at the hearing is whether the sale of the Union and Armour stocks to MJD should be approved.

The public is invited to participate by testifying at the hearing. All persons so testifying will be subject to cross-examination by the parties.

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

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

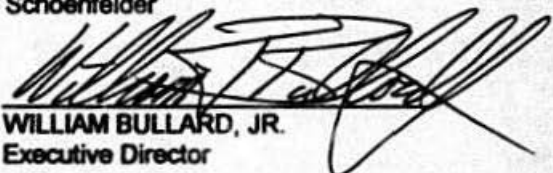
ORDERED that a hearing shall be held on the joint application for approval of the sale of the Union and Armour stocks to MJD at the time and place specified above.

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

Dated at Pierre, South Dakota, this 12th day of February, 1999.

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>Delaine Kalkes</i></u> Date: <u>2/12/99</u> (OFFICIAL SEAL)

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


WILLIAM BULLARD, JR.
Executive Director

RECEIVED

FEB 24 1999

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MOSS & BARNETT
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WRITER'S E-MAIL ADDRESS
BradleyM@moss-barnett.com

February 22, 1999

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

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JAMES E. HOFFMEIER
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CHRISTOPHER A. HOFFMEIER, JR.
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J. MICHAEL HOFFMEIER

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

Re: Authorization to Appear Pro Hac Vice in Docket No. TC99-005

Dear Mr. Bullard:

Enclosed please find a copy of the Circuit Court Order granting Michael J. Bradley authority to appear pro hac vice in Docket TC99-005.

Very truly yours,

MOSS & BARNETT
A Professional Association

Michael J. Bradley
Michael J. Bradley

MJB/mmn
Enclosure
240672/1



STATE OF SOUTH DAKOTA
COUNTY OF HUGHES
SIXTH JUDICIAL CIRCUIT

In the Matter of the Petition That Michael J.)
Bradley be Permitted to Appear Before the)
South Dakota Public Utilities Commission)
in Administrative Hearings)

No. _____

RECEIVED

FEB 24 1999

ORDER GRANTING THAT NONRESIDENT
ATTORNEY BE ADMITTED
PRO HAC VICE

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

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

In the Matter of the Sale of the Stock of Union Telephone Company of Hartford and Armour Independent Telephone Co., Including Its Wholly-Owned Subsidiary Bridgewater-Canistota Independent Telephone Co., to MJD Services Corp.
Docket No. TC99-005

Dated: 2/11, 1999

Judge of Sixth Judicial Circuit
STATE OF SOUTH DAKOTA
CIRCUIT COURT, HUGHES CO.

FILED

FEB 11 1999

Theresa L. Erickson CLERK
by Deputy

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

IN THE MATTER OF THE SALE OF THE	)	FINAL DECISION AND
STOCK OF UNION TELEPHONE COMPANY	)	ORDER APPROVING SALE
AND ARMOUR INDEPENDENT TELEPHONE	)	OF STOCK; NOTICE OF
COMPANY, INCLUDING ITS WHOLLY-OWNED	)	ENTRY OF ORDER
SUBSIDIARY BRIDGEWATER-CANISTOTA	)	
INDEPENDENT TELEPHONE COMPANY TO	)	TC99-005
MJD SERVICES CORP.	)	

On January 13, 1999, the Public Utilities Commission (Commission) received a Joint Application from Union Telephone Company (Union) and Armour Independent Telephone Company (Armour), including its wholly-owned subsidiary, Bridgewater-Canistota Independent Telephone Company (Bridgewater-Canistota), and MJD Services Corp. (MJD). The applicants requested approval of the sale of the Union and Armour stocks to MJD. The applicants stated that "[w]hile the Union, Armour, and Bridgewater-Canistota stocks are being sold to MJD, an affiliate of MJD, ST Enterprises, Ltd. (STE) will manage the Union, Armour, and Bridgewater-Canistota exchanges after the sale."

On January 13, 1999, the Commission electronically transmitted notice of the filing and the intervention deadline of January 29, 1999, to interested individuals and entities. No petitions to intervene or comments were filed.

A hearing was scheduled for March 10, 1999, at 1:30 p.m., at 108 North Main Avenue, Hartford, South Dakota. The hearing was held as scheduled. After hearing the evidence, the Commission voted unanimously to approve the sale of stock, subject to certain conditions.

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

FINDINGS OF FACT

1. Union is an independent telephone company that operates two exchanges serving Hartford and Wall Lake. Exhibit 2 at 2. The exchanges have approximately 1,599 access lines. *Id.*
2. Armour operates one exchange serving the community of Armour. *Id.* The exchange has approximately 693 access lines. *Id.*
3. Bridgewater-Canistota operates two exchanges serving the communities of Bridgewater and Canistota. *Id.* at 3. The exchanges have approximately 961 access lines. *Id.*
4. MJD operates 17 local exchange companies serving over 128,000 access lines in 10 states. *Id.* at 2. STE is an affiliate of MJD and will provide managerial, accounting, and other support services to the exchanges. *Id.*
5. During the hearing in Hartford, there was no public opposition to the sale of the stock.

ADEQUACY OF LOCAL TELEPHONE SERVICE

6. MJD will honor all existing contracts, commitments, leases, and other arrangements and will not eliminate any services currently provided by Union, Armour, and Bridgewater-Canistota. Id. at 6.
7. MJD will retain all current employees, except for the three primary owners. Id. Customers will continue to be able to make trouble reports and ask service questions by calling a local or toll-free number. Id.

REASONABLENESS OF RATES

8. MJD has no plans to increase the existing rates for at least 18 months. Id. at 3.

PUBLIC SAFETY ISSUES

9. MJD will continue to provide existing emergency services. Id. at 4.

ABILITY OF THE BUYER TO PROVIDE SERVICE

10. MJD is fit, willing, and able to purchase and thereafter operate, maintain, and upgrade to the level required by the Commission the facilities of the three companies. Id. at 3-9.
11. MJD has the ability to obtain capital and the incentive to invest in the three companies. Exhibit 1. MJD will repair and replace facilities as needed and will upgrade facilities with new technologies when needed to provide new services. Id. at 5.
12. MJD will support local economic development efforts and will work with the schools, libraries, and health organizations to meet their telecommunications needs. Id. at 4, 6-7.

PROTECTION OF THE PUBLIC INTEREST

13. MJD's purchase of the three companies is in the public interest of the customers within the companies' exchanges for the following reasons:

- a. Quality local service will be maintained;
- b. The customers of the exchanges will continue to receive customer service through the same business office;
- c. Rates will not increase for at least 18 months as a result of the sale;
- d. Emergency services will continue to be provided to the exchanges at the level currently provided; and
- e. Customers in the exchanges will be able to obtain additional, advanced telecommunications services as needed.

Id. at 3-9.

TAXES

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

CONDITIONS OF SALE

15. The Commission shall approve the proposed sale of the stock of Union and Armour, including its wholly-owned subsidiary Bridgewater-Canistota, subject to the following conditions:

1. That current local rates not be increased for 18 months from the date MJD begins to operate the purchased exchange;
2. That MJD shall not recover any of the acquisition adjustment through its regulated interstate or intrastate rates, through its local rates, or through federal or state universal service funds;
3. That MJD shall honor all existing contracts, commitments, leases, licenses, and other agreements which relate to, arise from, or are used for the operation of the purchased exchange;
4. That MJD offer, at a minimum, all existing services currently offered by the purchased exchange; and
5. That MJD not discontinue any existing extended area service without first obtaining approval from the Commission.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the sale of stock of Union and Armour, including its wholly-owned subsidiary Bridgewater-Canistota, to MJD 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 sale of stock because the sale will enable the customers to continue to receive high quality service.

4. MJD has satisfied its burden of proof under SDCL Chapter 49-31, specifically 49-31-3, 49-31-3.1, 49-31-4, 49-31-5.1, 49-31-7, 49-31-7.1, 49-31-11, 49-31-18, 49-31-19, 49-31-20, 49-31-21 and 49-31-59 for approval of the sale of stock of Union and Armour, including its wholly-owned subsidiary Bridgewater-Canistota, to MJD.

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

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

7. Any existing public safety services currently provided will continue.

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

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

10. The Commission approves the sale of stock of Union and Armour, including its wholly-owned subsidiary Bridgewater-Canistota, to MJD.

Pursuant to SDCL Chapter 1-26, the Commission hereby enters its final decision in this docket. It is therefore

ORDERED that the sale of stock of Union and Armour, including its wholly-owned subsidiary Bridgewater-Canistota, to MJD is approved subject to the Conditions of Sale.

PLEASE TAKE NOTICE that this Decision and Order in Docket TC99-005 was duly entered this 18th day of March, 1999, and filed in the Commission's docket.

Dated at Pierre, South Dakota, this 18th day of March, 1999.

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>Aldine Kells</u> Date: <u>3/19/99</u> (OFFICIAL SEAL)
--

BY ORDER OF THE COMMISSION:

James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner

Laska Schoenfelder
LASKA SCHOENFELDER, Commissioner

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MOSS & BARNETT

A PROFESSIONAL ASSOCIATION

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CLYDE D. SMITH
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BILLY M. JACOBSEN
CAROL ANN PETERSON
JAMES M. RAY
TIMOTHY L. GUSTIN
DENNIS S. WERNER

RETIRED
VINCE W. MOSE
JAMES H. BERNHARDT
STANLEY A. STAGEL
PATRICK F. FLANNERY
WATSON A. BERGOTY

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MAY 05 1999

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

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

Re: In the Matter of the Sale of the Stock of Union Telephone Company of Hartford
and Armour Independent Telephone Co, Including Its Wholly-Owned Subsidiary
Bridgewater-Canistota Independent Telephone Co., to MJD Services Corp.
Docket No. TC99-005

Dear Mr. Bullard:

Enclosed please find an original and eleven copies of the Notice of Sale Completion.
This filing requires no action by the South Dakota Public Utilities Commission.

Very truly yours,

MOSS & BARNETT
A Professional Association

Michael J. Bradley
Michael J. Bradley

cc: Mike Stein, Patrick Morse, Shirley Linn
MJB/jjh
Attachments
232166/1



BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

RECEIVED

MAY 05 1999

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE SALE OF THE)
STOCK OF UNION TELEPHONE COMPANY OF)
HARTFORD AND ARMOUR INDEPENDENT)
TELEPHONE CO., INCLUDING ITS WHOLLY-)
OWNED SUBSIDIARY BRIDGEWATER-)
CANISTOTA INDEPENDENT TELEPHONE CO.,)
TO MJD SERVICES CORP.)

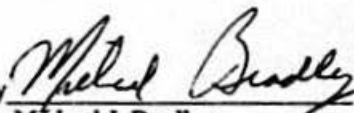
TC99-005

NOTICE OF SALE
COMPLETION

In its Final Decision and Order Approving Sale of Stock: Notice of Entry of Order, dated March 18, 1999, in the above-entitled matter, the South Dakota Public Utilities Commission ("Commission") approved the sale of stock of Union Telephone Company of Hartford and Armour Independent Telephone Co., including its wholly-owned-subsidiary Bridgewater-Canistota Independent Telephone Co., to MJD Services Corp. Pursuant to that authorization, the parties to those transactions closed the sale on April 30, 1999.

Dated: May 3, 1999

Respectfully submitted:

By 

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

Attorneys on Behalf of
MJD Services Corp.