

TCU2-062

KC/HB

In the Matter of — IN THE MATTER OF THE PETITION OF  
 — DAKOTA COMMUNITY TELEPHONE,  
 — INC. AND MCLEODUSA TELECOM  
 — DEVELOPMENT, INC. FOR APPROVAL  
 — OF THE TRANSFER OF ITS STOCK TO  
 — PRAIRIEWAVE COMMUNICATIONS,  
 — INC.

Public Utilities Commission of the State of South Dakota

DATE	MEMORANDA
6/17 02	Filed and Docketed;
6/20 02	Weekly Filing;
6/24 02	Secretary of State's Certificate of Authority;
7/24 02	Order for and Notice of Hearing;
8/9 02	Request for Confidentiality of Financial Documents;
8/20 02	Final Nebraska Order Approving Sale of <sup>Transcript Entry of order</sup> stock in Telephone Exchanges;
8/28 02	Transcript of Hearing held 8/12/02;
9/3 02	Affidavit of Publication;
9/3 02	Docket Closed.
10/3 02	Affidavit of Publication.
10/10 02	Closing Documents;
12/20 02	Surety Bond.

TC02-062



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JUN 17 2002

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

June 14, 2002

Debra Elofson  
Executive Director  
South Dakota Public Utilities Commission  
Capitol Building, First Floor  
500 East Capitol Avenue  
Pierre, SD 57501

RE: Filing of Application for Transfer of Control of McLeodUSA Telecom  
Development, Inc. and Dakota Community Telephone to PrairieWave  
Communications, Inc.

Dear Ms. Elofson:

Enclosed for filing in the above-captioned matter are the original and ten (10) copies of  
the Application for Transfer of Control of McLeodUSA Telecom Development, Inc. and  
Dakota Community Telephone to PrairieWave Communications, Inc.

Sincerely,

Dawn Haase  
Legal Assistant  
605-965-9368

Enclosures  
cc: Service List

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

**IN THE MATTER OF THE PETITION OF            )**  
**OF DAKOTA COMMUNITY TELEPHONE,        )**  
**INC. AND MCLEODUSA TELECOM            )**        **Docket No.**  
**DEVELOPMENT, INC. FOR THE TRANSFER )**  
**OF ITS STOCK TO PRAIRIEWAVE            )**  
**COMMUNICATIONS, INC.                    )**

**PETITION**

Dakota Community Telephone, Inc. (“DCT”) and McLeodUSA Telecom Development, Inc. (“MTD”) (collectively, “Petitioners”), pursuant to SDCL § 49-31-59, request Commission approval of a transaction whereby the stock of the Petitioners will be acquired by PrairieWave Communications, Inc. (“PrairieWave”). PrairieWave is a Delaware corporation and its business address upon closing of the transaction will be 5100 South McLeod Lane, Sioux Falls, SD 57108, the same as the Petitioners. The contact telephone number is (605) 965-9894, fax number is (605) 965-7867, and the email address is wheaston@mcleodusa.com. In support of this Petition the following information is provided:

1. The change of ownership and control will be accomplished as described in the **confidential** Stock Purchase Agreement (“Agreement”), which is attached as Exhibit A. Confidential protection of this exhibit is requested. Contemporaneous with the closing of this transaction, Petitioners will file with the Secretary of State to change the names of DCT to PrairieWave Community Telephone, Inc. and MTD to PrairieWave Telecommunications, Inc. Both corporations are and always have been South Dakota corporations. A copy of that filing will be provided to the Commission at the time it is made. PrairieWave’s registration for the State of South Dakota is attached as Exhibit B,

and a copy of the certificate will be provided. A description of PrairieWave is attached as Exhibit C. A schematic of the corporate structure before and after the transaction is attached as Exhibit D.

2. From an historical perspective the following has occurred with regard to the Petitioners. DCT is the successor to Dakota Cooperative Telephone, Inc, later Dakota Cooperative Telecommunications, a company, in one form or another, that has been providing telephone service in South Dakota for more than 50 years. In 1998 as a part of the change in operation from a cooperative to a public company, Dakota Cooperative Telecommunications became Dakota Telecommunications Group, Inc. and the telephone operations were moved to DTG Community Telephone, Inc. DCT operates the incumbent local exchanges. Copies of relevant documents, to include Commission issued certificates, are attached at Exhibit E. MTD is the successor to Dakota Telecom, Inc., a company providing telecommunications services in South Dakota since 1996. MTD operated the competitive local exchange services. Copies of relevant documents are at Exhibit F.

3. There will be no change in the management or operation of Petitioners as a result of this transaction. Petitioners currently provide facilities-based local exchange service in the communities described in Exhibit G. The services provided are modern, state-of-the-art telecommunications services, to include broadband services using cable modems. The Petitioners, in conjunction with the University of South Dakota and the Southeast South Dakota Distance Learning Project, support a full-motion distance learning program to 13 school districts within and adjacent to its service territories, to include assistance in preparing and filing the necessary documents to qualify for federal discounts and



funding. Petitioners provide full support and connectivity to all Public Service Answering Points (“PSAPs”) within its service territories to insure the continued operation of E911 access for all customers.

4. The terms, conditions and prices for local exchange service will remain in effect, and the Petitioners access tariffs will change in name only. DCT will file its required access study prior to July 1, 2002. The rates for local service are presumed reasonable because they have been in effect for several years and are regulated under the provisions of SDCL § 49-31-5.1.

5. A **confidential** Pro forma financial statement is attached (Exhibit H) reflecting the expected results from the transaction on a consolidated basis. PrairieWave is financially supported by a number of leading telecommunications investors and bankers including Alta Communications and Bank of America as equity investors and BIA Digital Partners, GE Capital Corporation, CIT Communications, and Home Federal Bank in Sioux Falls.

6. The transfer of ownership is in the public interest. The transaction will enable the Petitioners to continue bringing modern, telecommunications services to the rural areas of South Dakota it already serves and to expand its activity to seek the same opportunities in other rural communities in Qwest Corporation’s rural exchanges in South Dakota. The Petitioners have an established record of superior customer service, a local company presence, expanded service offerings and high quality telecommunications access to the world. The management and work force has been in the telecommunications business for many years and is highly skilled and knowledgeable in providing local exchange service, long distance service, broadband and Internet services, cable TV service, and network management.

7. Considering that the Petitioners have for many years provided quality local exchange telecommunications services to its customers in South Dakota; that such quality service was and is provided by the facilities and personnel of the Petitioners; that the basic management and operation of the Petitioners will remain intact; and that any name change on a certificate of authority is necessitated only by the need to avoid infringement of intellectual property rights and to limit customer confusion, the Petitioners request that the Commission waive any requirements that may apply under the Commission's rules in 20:10:32:03, 20:10:32:06 and 20:10:32:08.

8. Petitioners will provide a comprehensive written notice to all customers of the transfer of control and the new names of the corporate and billing entities prior to and contemporaneously with the closing of the transaction.

9. Notices regarding this Petition, and any questions or requests for additional information should be made to the undersigned as indicated.

10. The parties desire to close this transaction by August 15, 2002, and respectfully request expedited action by the Commission, especially notice and conduct of any public hearing that may be deemed necessary, to enable that date to be met.

WHEREFORE the parties request the following action by the Commission:

- a. Approval of the transfer of control of Petitioners to PrairieWave;
- b. Upon notification of the closing of the transaction, a change of name on the DCT certificate to PrairieWave Community Telephone, Inc. and the MTD certificate to PrairieWave Telecommunications, Inc.;and
- c. Waiver of certain Commission rules as requested above.

Submitted this 14th day of June, 2002.



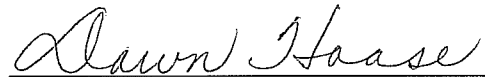
William P. Heaston  
Deputy General Counsel  
5100 South McLeod Lane  
Sioux Falls, SD 57108  
(605) 965-9894 (Telephone)  
(605) 965-7867 (Fax)  
[wheaston@mcleodusa.com](mailto:wheaston@mcleodusa.com)

**CERTIFICATE OF SERVICE**

I, Dawn Haase, on the 14<sup>th</sup> day of June, 2002, served the attached APPLICATION FOR TRANSFER OF CONTROL by U. S. mail to all persons at the addresses indicated below.

Qwest Corporation  
Colleen Sevold  
125 South Dakota Avenue  
Sioux Falls, SD 57194

Fort Randall Telephone Company  
Bruce Hanson, General Manager  
909 Wilmar Avenue SW  
Wilmar, MN 56201

  
Dawn Haase

**Exhibit A**

**Stock Purchase Agreement**

**Proprietary and Confidential**

**CONFIDENTIAL**

1

**Exhibit B**

**PrairieWave's  
State of South Dakota Registration**



Secretary of State  
State Capitol  
500 E. Capitol Ave.  
Pierre SD 57501  
Phone 605-773-4845  
Fax 605-773-4550

FILE NO. \_\_\_\_\_

RECEIPT NO. \_\_\_\_\_

### Application for Certificate of Authority

Pursuant to the provisions of SDCL 47-8-7, the undersigned corporation hereby applies for a Certificate of Authority to transact business in the State of South Dakota and for that purpose submits the following statement:

RECEIVED

(1) The name of the corporation is PrairieWave Communications, Inc. JUN 3 '02  
(exact corporate name)

S.D. SEC. OF STATE

(2) If the name of the corporation does not contain the word "corporation", "company", "incorporated" or "limited" or does not contain an abbreviation of one of such words, then the name of the corporation with the word or abbreviation which it elects to add thereto for use in this state is \_\_\_\_\_

(3) State where incorporated Delaware Federal Taxpayer ID# 03-0446724

(4) The date of its incorporation is 03/07/2002 and the period of its duration, which may be perpetual, is Perpetual

(5) The address of its principal office in the state or country under the laws of which it is incorporated is 1209 Orange St., Wilmington, Delaware Zip Code 19801  
mailing address if different from above is: \_\_\_\_\_ Zip Code \_\_\_\_\_

(6) The street address, or a statement that there is no street address, of its proposed registered office in the State of South Dakota is 5100 South McLeod Lane, Sioux Falls, SD 57108  
and the name of its proposed registered agent in the State of South Dakota at that address is Craig A. Anderson

(7) The purposes which it proposes to pursue in the transaction of business in the State of South Dakota are: (state specific purpose)  
telecommunication services

(8) The names and respective addresses of its directors and officers are:

Name	Officer Title	Street Address	City	State	Zip
<b>SEE ATTACHMENT</b>					
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

(9) The aggregate number of shares which it has authority to issue, itemized by classes, par value of shares, shares without par value, and series, if any, within a class is:

Number of shares	Class	Series	Par value per share or statement that shares are without par value
<u>60,000</u>		<u>Common</u>	<u>\$0.01</u>
_____	_____	_____	_____
_____	_____	_____	_____

certath.pdf



(10) The aggregate number of its issued shares, itemized by classes, par value of shares, shares without par value, and series, if any, within a class, is:

Number of shares	Class	Series	Par value per share or statement that shares are without par value
38,000	Common		\$0.01

(11) The amount of its stated capital is \$ 380.00  
Shares issued times par value equals stated capital. In the case of no par value stock, stated capital is the consideration received for the issued shares.

(12) This application is accompanied by a CERTIFICATE OF FACT or a CERTIFICATE OF GOOD STANDING duly acknowledged by the Secretary of State or other officer having custody of corporate records in the state or country under whose laws it is incorporated.

(13) That such corporation shall not directly or indirectly combine or make any contract with any incorporated company, foreign or domestic, through their stockholders or the trustees or assigns of such stockholders, or with any copartnership or association of persons, or in any manner whatever to fix the prices, limit the production or regulate the transportation of any product or commodity so as to prevent competition in such prices, production or transportation or to establish excessive prices therefor.

(14) That such corporation, as a consideration of its being permitted to begin or continue doing business within the State of South Dakota, will comply with all the laws of the said State with regard to foreign corporations.

The application must be signed, in the presence of a notary public, by the chairman of the board of directors, or by the president or by another officer.

I DECLARE AND AFFIRM UNDER THE PENALTY OF PERJURY THAT THIS APPLICATION IS IN ALL THINGS, TRUE AND CORRECT.

Dated May 29, 2002

Craig A. Anderson  
(Signature) Craig A. Anderson  
Chairman and Chief Executive Officer  
(Title)

STATE OF South Dakota  
COUNTY OF Minnehaha

I, Kristie Lyngstad, a notary public, do hereby certify that on this 29 day of May 2002, personally appeared before me Craig A. Anderson who, being by me first duly sworn, declared that he/she is the Chairman/CEO of PrairieWave Communications, Inc., that he/she signed the foregoing document as officer of the corporation, and the statements therein contained are true.

6-19-07  
My Commission Expires

Kristie Lyngstad  
(Notary Public)

Notarial Seal

\*\*\*\*\*  
The Consent of Appointment below must be signed by the registered agent listed in number six.

**Consent of Appointment by the Registered Agent**

I, Craig A. Anderson, hereby give my consent to serve as the registered agent for PrairieWave Communications, Inc.  
(name of registered agent)  
(corporate name)

Dated MAY 29 20 02

By: Craig A. Anderson  
(signature of registered agent)

**PRAIRIEWAVE COMMUNICATIONS, INC.**  
**Directors and Officers**

**Directors:**

**Addresses:**

**Craig A. Anderson**

**2601 E. Slaten Park Cir.  
Sioux Falls, SD 57103**

**Timothy F. Jaeger**

**939 Transport Way, Suite B  
Petaluma, CA 94954**

**Tracy T. Larsen**

**111 Lyon St., N.W., #900  
Grand Rapids, MI 49503-2487**

**Officers:**

**Addresses:**

**Craig A. Anderson  
Chairman and Chief Executive Officer**

**2601 E. Slaten Park Cir.  
Sioux Falls, SD 57103**

**Timothy F. Jaeger  
President and Chief Financial Officer**

**939 Transport Way, Suite B  
Petaluma, CA 94954**

**Eugene P. McCord  
Vice President and Chief Information  
Officer**

**939 Transport Way, Suite B  
Petaluma, CA 94954**

**Tracy T. Larsen  
Corporate Secretary**

**111 Lyon St., N.W., #900  
Grand Rapids, MI 49503-2487**

# Delaware

*The First State*

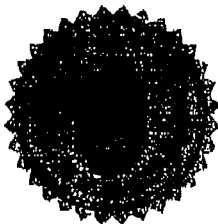
PAGE 1

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JUN 3 '02

S.D. SEC. OF STATE

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "PRAIRIEWAVE COMMUNICATIONS, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE SIXTH DAY OF MAY, A.D. 2002.



*Harriet Smith Windsor*

Harriet Smith Windsor, Secretary of State

3499758 8300

020287461

AUTHENTICATION: 1761903

DATE: 05-06-02

## **Exhibit C**

### **Description of PrairieWave Communications, Inc.**

## Exhibit C

**PrairieWave Communications, Inc.** (PrairieWave) specializes in the design, construction and operation of broadband communications systems for clustered small communities. Over these systems, we provide a full range of bundled telecommunications services to residential and small business customers including telephone, long distance, high-speed data and video services. We believe that our exclusive and specialized focus on small telecommunications markets is unique in the industry.

We research and select promising market regions; enter those markets using our community development public relations process; and design and implement region specific development plans using our integrated and comprehensive business systems for managing small community developments. We have identified the McLeodUSA Dakotas operation as perfectly tailored to our small community philosophy.

At PrairieWave, our goal is to bring the new world of bundled broadband communications services to our small community markets.

Our strategy is to provide our customers with a lower priced, higher quality communications service alternative to the incumbent local exchange carriers and cable providers. We expect to (1) gain significant market share by using our lower cost structure to reduce prices and offering the personal sales and customer service important in smaller communities; (2) preserve our market share against competitive responses through service bundling, cross product discounting, single source customer service and single point billing; and (3) extend our market position through service innovations such as video conferencing, video on demand, application service hosting, and other service offerings not technically possible over the incumbents' existing facilities.

Our approach is best summarized in our Mission Statement:

"Our mission is to improve the quality of life for our customers and their communities. We do this by bringing reasonably priced advanced communications services to their homes and businesses and by using these services to support the economic development of their communities."

**PrairieWave Management.** The following tables summarize the PrairieWave management team as of April 30, 2002.

### PrairieWave Communications, Inc.

<u>Name</u>	<u>Position</u>
Craig A. Anderson	Director, Chairman & CEO
Timothy F. Jaeger	Director, President & CFO
Tracy T. Larsen	Director, General Counsel, and Secretary
Eugene P. McCord	VP-CIO & Assistant Secretary

One unique feature of our management team is that all of these officers worked as part of the Dakota Telecommunications Group (DTG) operation prior to its acquisition by McLeodUSA. Mr. Anderson served as a Director and as President and CFO of DTG. Mr. Larsen served as DTG's corporate counsel. Messrs. Jaeger and McCord served for several years as business and administrative system consultants for DTG. Our senior management team has a deep background in the development and operation of the Dakota operation and planned and implemented most of the initial expansion in South Dakota and Minnesota.

In addition, all of Dakota's existing management will continue with the company after the transaction is complete. The result is a combination of the senior level strategic planning from PrairieWave with the existing excellent operational skills of MTD. After the transaction, the new PrairieWave management team will look like this:

### PrairieWave Communications, Inc. (Post-Closing)

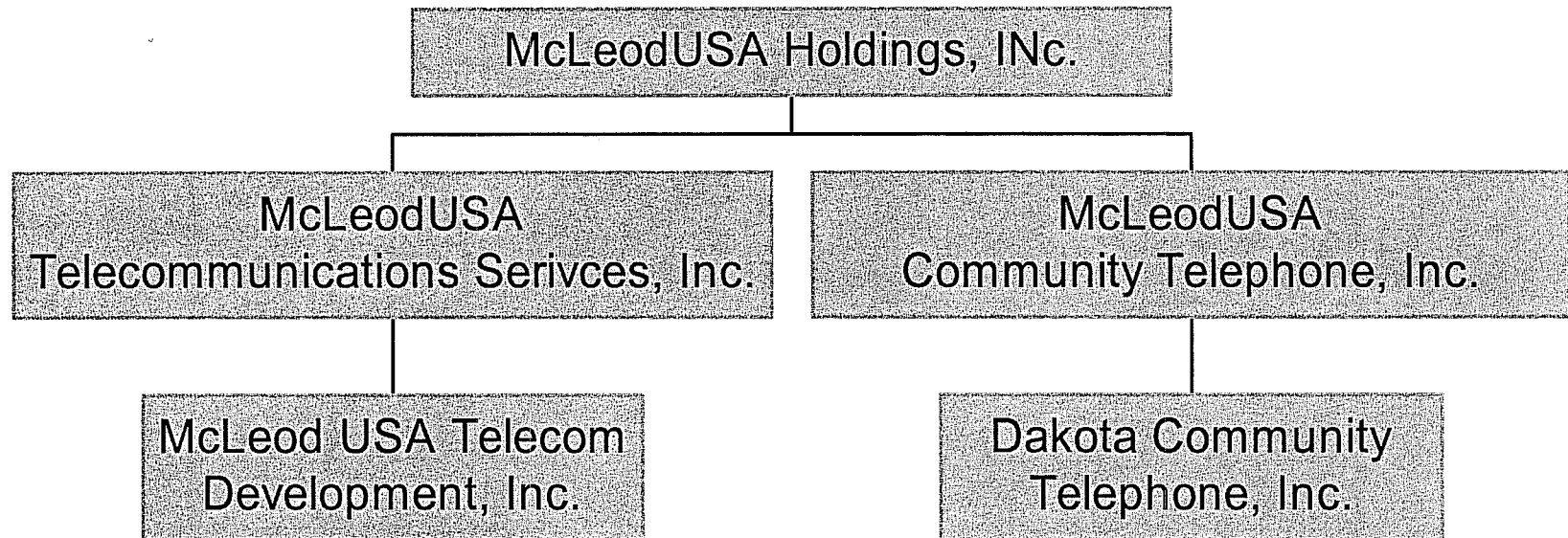
<u>Name</u>	<u>Position</u>
Craig A. Anderson	Director, Chairman & CEO
Timothy F. Jaeger	Director, President & CFO
Tracy T. Larsen	Director, General Counsel, and Secretary
Eugene P. McCord	VP-CIO & Assistant Secretary
Brent R. Norgaard	VP-Chief Operating Officer
William Heaston	VP-Corporate Counsel
Jerry P. Anderson	Network Operations Manager
Kelly Kuyper	Customer Service Manager
Charlynn Hay	Controller

## **Exhibit D**

### **Corporate Structure Before and After**

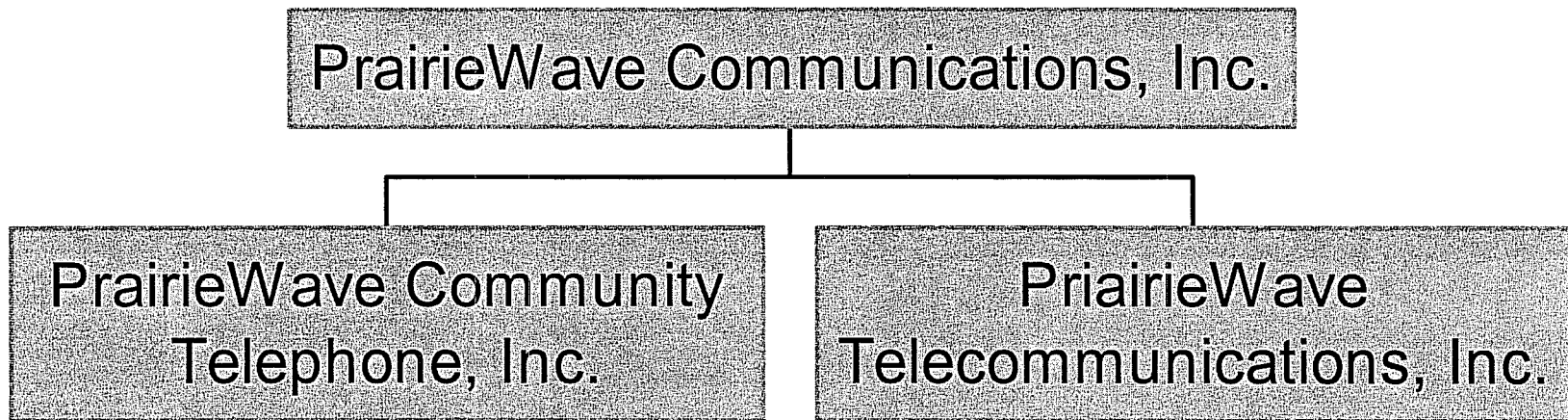
# Petitioner Organization

(Before Transaction)



# Petitioner Organization

(After Transaction)





**Exhibit E**

**Dakota Community Telephone, Inc.  
Relevant Documents**

McLeodUSA®

November 8, 2000

Mr. William Bullard, Jr.  
Executive Director  
South Dakota Public Utilities Commission  
500 East Capitol Avenue  
Pierre, SD 57501-5070

Dear Mr. Bullard:

This letter is to provide you with information as to name changes for DTG Community Telephone, Inc., Dakota Telecom, Inc., and DTG Communications, Inc. I am also enclosing copies of relevant documents.

DTG Community Telephone, Inc. has had its name changed to Dakota Community Telephone, Inc. Dakota Telecom, Inc. is changed to McLeodUSA Telecom Development, Inc. And, DTG Communications, Inc. was dissolved and liquidated into McLeodUSA Telecommunications Services, Inc.

Sincerely,



Barbara E. Berkenpas  
Regional Counsel  
McLeodUSA  
PO Box 66  
Irene, SD 57037-0066  
605-263-7213

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**NOV 13 2000**

**SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION**

# State of South Dakota



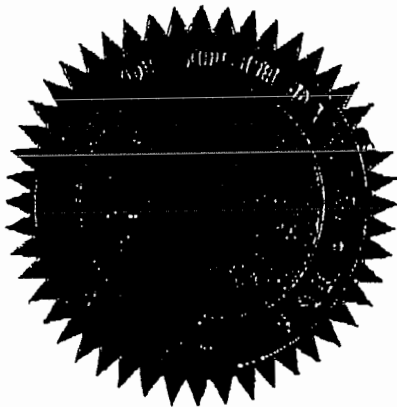
## OFFICE OF THE SECRETARY OF STATE

### Certificate of Amendment

I, **JOYCE HAZELTINE**, Secretary of State of the State of South Dakota, hereby certify that duplicate of the Articles of Amendment to the Articles of Incorporation of **DTG COMMUNITY TELEPHONE, INC.** **changing its name to DAKOTA COMMUNITY TELEPHONE, INC.** duly signed and verified pursuant to the provisions of the South Dakota Corporation Acts, have been received in this office and are found to conform to law.

**ACCORDINGLY** and by virtue of the authority vested in me by law, I hereby issue this Certificate of Amendment to the Articles of Incorporation and attach hereto a duplicate of the Articles of Amendment.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this October 25, 2000.



Joyce Hazeltine  
Secretary of State

UPR0111A

00000000

RETURN TO  
SECRETARY OF STATE  
STATE CAPITOL  
500 E. CAPITOL  
PIERRE, S.D. 57501  
605-773-4845

*Filed 10/25/00*  
*25*  
*2:57 PM*  
*10*  
*[Signature]*

RECEIVED  
OCT 25 2000  
S.D. SEC. OF STATE

**ARTICLES OF AMENDMENT  
TO THE  
ARTICLES OF INCORPORATION**

Pursuant to the provisions of SDCL 47-2-9, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation:

1. The name of the corporation is DTG Community Telephone, Inc.
2. The following amendment of the Articles of Incorporation was adopted by the shareholders of the corporation on October 3, 2000, in the manner prescribed by the South Dakota Corporation Acts:

**ARTICLE ONE  
NAME**

The name of the corporation is Dakota Community Telephone, Inc.

3. The number of shares of the corporation outstanding at the time of such amendment was 1,000.
4. The designation and number of outstanding shares of each class entitled to vote thereon as a class were as follows:

Class: Common	Number of Shares: 1,000
---------------	-------------------------

5. The number of shares voted for such amendment was 1,000. The number of shares voted against such amendment was 0. The number of shares of each class entitled to vote thereon as a class voted for and against such amendment was:

Class: Common	Number of Shares:		
	For: 1,000	Against:	0

Dated: October 3, 2000.

Dakota Community Telephone, Inc.

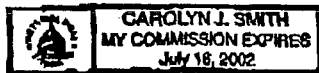
By: *Randall Rings*  
Randall Rings  
Vice President and Secretary

State of Iowa )  
 )ss:  
County of Linn )

On this 3rd day of October, 2000, before me, a Notary Public, personally appeared Randall Rings, known to me, or proved to me, to be the Vice President and Secretary of the corporation that is described in and that executed the within instrument and acknowledged to me that such corporation executed same.

7/16/02  
My Commission Expires

Carolyn J. Smith  
Notary Public



Notarial Seal

An ORIGINAL and ONE EXACT COPY of the Articles of Amendment must be submitted.

RETURN TO  
SECRETARY OF STATE  
STATE CAPITOL  
500 E. CAPITOL  
PIERRE, S.D. 57501  
605-773-4845

**ARTICLES OF AMENDMENT  
TO THE  
ARTICLES OF INCORPORATION**

---

Pursuant to the provisions of SDCL 47-2-9, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation:

1. The name of the corporation is DTG Community Telephone, Inc.
2. The following amendment of the Articles of Incorporation was adopted by the shareholders of the corporation on October 3, 2000, in the manner prescribed by the South Dakota Corporation Acts:


**ARTICLE ONE  
NAME**

The name of the corporation is Dakota Community Telephone, Inc.

3. The number of shares voted for such amendment was: 100% of the Sole Shareholder in favor of the amendment.

Dated: October 3, 2000.

Dakota Community Telephone, Inc.

By:   
Randall Rings  
Vice President and Secretary

**DTG Community Telephone, Inc.  
Joint Unanimous Written Consent  
of Sole Shareholder and Board of Directors**

The undersigned, being the Sole Shareholder and all of the Directors of DTG Community Telephone, Inc., a South Dakota corporation (the "Company"), hereby consent, pursuant to Sections 47-4-4 and 47-5-11 of the South Dakota Code, to the adoption of the following resolution:


**RESOLVED**, that the Company's Articles of Incorporation be, and hereby are, amended to replace ARTICLE I, The Name of the Corporation, to read in its entirety as follows:

**Article I. Name.** The name of the corporation is Dakota Community Telephone, Inc.

**IN WITNESS WHEREOF**, the undersigned has caused this Joint Unanimous Written Consent to be executed effective the 3<sup>rd</sup> day of October, 2000.

Dakota Telecommunications Group, Inc.  
Sole Shareholder

  
STEPHEN C. GRAY  
Director

BY:   
RANDALL RINGS  
Its Vice President and Secretary

# SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

---

## *CERTIFICATE OF AUTHORITY*

To Conduct Business As A Telecommunications Company  
Within The State Of South Dakota

Authority was Granted June 11, 1998  
Docket No. TC97-164

*This is to certify that*

**DTG COMMUNITY TELEPHONE, INC.**

*is authorized to provide telecommunications services in South Dakota.*

This certificate is issued in accordance with SDCL 49-31-3 and ARSD 20:10:24:02, and is subject to all of the conditions and limitations contained in the rules and statutes governing its conduct of offering telecommunications services.

Dated at Pierre, South Dakota, this 19<sup>th</sup> day of June, 1998.

**SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION:**



*James A. Burg*  
\_\_\_\_\_  
JAMES A. BURG, Chairman

*Pam Nelson*  
\_\_\_\_\_  
PAM NELSON, Commissioner

*Laska Schoenfelder*  
\_\_\_\_\_  
LASKA SCHOENFELDER, Commissioner



# State of South Dakota



## OFFICE OF THE SECRETARY OF STATE

### CERTIFICATE OF INCORPORATION BUSINESS CORPORATION

I, JOYCE HAZELTINE, Secretary of State of the State of South Dakota, hereby certify that the Articles of Incorporation of DTG COMMUNITY TELEPHONE, INC. duly signed and verified, pursuant to the provisions of the South Dakota Business Corporation Act, have been received in this office and are found to conform to law.

ACCORDINGLY and by virtue of the authority vested in me by law, I hereby issue this Certificate of Incorporation and attach hereto a duplicate of the Articles of Incorporation of DTG COMMUNITY TELEPHONE, INC.



IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this September 10, 1997.

*Joyce Hazeltine*

JOYCE HAZELTINE  
Secretary of State

**SOUTH DAKOTA PUBLIC UTILITIES COMMISSION**

**CERTIFICATE OF AUTHORITY  
To Conduct Business As A Telecommunications Company  
Within The State Of South Dakota**

Authority was Granted 07/03/84  
Docket #: F-8290

This is to certify that

**Dakota Cooperative Telecommunications**

is authorized to provide telecommunications services in South Dakota.

This certificate is issued in accordance with SDCL 49-31-3 and ARSD 20:10:24:02, and is subject to all of the conditions and limitations contained in the rules and statutes governing its conduct of offering telecommunications services.

Dated at Pierre, South Dakota, this 24<sup>th</sup> day of June, 1992.

**SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION:**



*James A. Burg*  
\_\_\_\_\_  
JAMES A. BURG, Chairman

*Kenneth Stofferahn*  
\_\_\_\_\_  
KENNETH STOFFERAHN, Commissioner

*Laska Schøenfelder*  
\_\_\_\_\_  
LASKA SCHØENFELDER, Commissioner

# STATE OF SOUTH DAKOTA

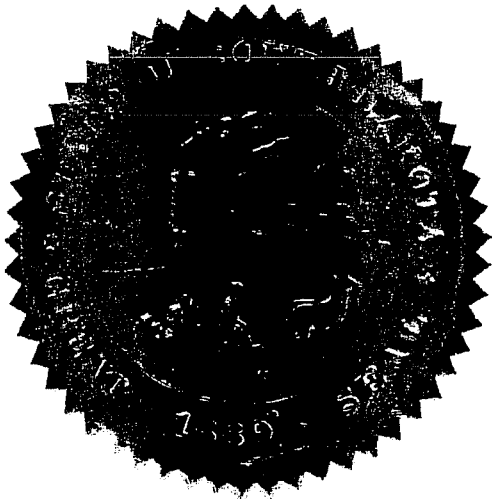


## OFFICE OF THE SECRETARY OF STATE

### *Certificate of Amendment*

I, ALICE KUNDERT, Secretary of State of the State of South Dakota, hereby certify that duplicate originals of Amendment to Articles of Incorporation of . . . . .  
. . . . . DAKOTA COOPERATIVE TELEPHONE COMPANY, INC. . . . .  
duly signed and verified pursuant to the provisions of the South Dakota corporation acts, have been received in this office and are found to conform to law.

ACCORDINGLY and by virtue of the authority vested in me by law, I hereby issue this Certificate of Amendment to the Articles of Incorporation of . . . . .  
. . . . . DAKOTA COOPERATIVE TELEPHONE COMPANY, INC. changing name to: . . . . . DAKOTA . . . . .  
. . . . . COOPERATIVE TELECOMMUNICATIONS, INC. . . . .  
and attach hereto a duplicate original of the Amendment.



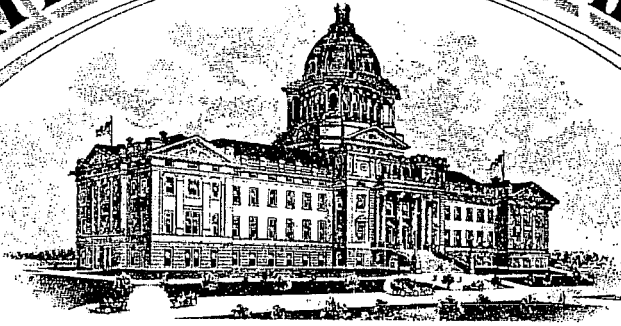
IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this . . . . . 14th . . . . . day of

May . . . . . A.D. 19. 79

*Alice Kundert*  
Secretary of State

Deputy

# STATE OF SOUTH DAKOTA



## DEPARTMENT OF STATE

United States of America, }  
State of South Dakota, } Secretary's Office

*This is to certify that the attached instrument of writing is a true, correct and examined copy of*

articles of incorporation

of

Dakota Cooperative Telephone Company, Inc.

*and the whole thereof, and has been carefully compared with the original now on file in this office and found correct.*

*The within document, book, instrument, paper or law shall not be received in evidence in any court of this state unless this certificate is countersigned by the state treasurer with a statement of the fees received.*

In Testimony Whereof, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at the City of Pierre, the Capital, on this \_\_\_\_\_ day of \_\_\_\_\_ 19\_\_

*Geraldine Ostrom*  
Secretary of State.

FEES, \$ 1.50  
COUNTERSIGNED BY

*do*

**Exhibit F**

**McLeodUSA Telecom Development, Inc.  
Relevant Documents**

McLeodUSA®

November 8, 2000

Mr. William Bullard, Jr.  
Executive Director  
South Dakota Public Utilities Commission  
500 East Capitol Avenue  
Pierre, SD 57501-5070

Dear Mr. Bullard:

This letter is to provide you with information as to name changes for DTG Community Telephone, Inc., Dakota Telecom, Inc., and DTG Communications, Inc. I am also enclosing copies of relevant documents.

DTG Community Telephone, Inc. has had its name changed to Dakota Community Telephone, Inc. Dakota Telecom, Inc. is changed to McLeodUSA Telecom Development, Inc. And, DTG Communications, Inc. was dissolved and liquidated into McLeodUSA Telecommunications Services, Inc.

Sincerely,



Barbara E. Berkenpas  
Regional Counsel  
McLeodUSA  
PO Box 66  
Irene, SD 57037-0066  
605-263-7213

RECEIVED

NOV 13 2000

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

001 007 01 12.12 FOR 1 919 190 1901 MCLEOD LEGAL 002/002

# State of South Dakota



## OFFICE OF THE SECRETARY OF STATE

### Certificate of Amendment

I, **JOYCE HAZELTINE**, Secretary of State of the State of South Dakota, hereby certify that duplicate of the Articles of Amendment to the Articles of Incorporation of **DAKOTA TELECOM, INC.** changing its name to **MCLEODUSA TELECOM DEVELOPMENT, INC.** duly signed and verified pursuant to the provisions of the South Dakota Corporation Acts, have been received in this office and are found to conform to law.

**ACCORDINGLY** and by virtue of the authority vested in me by law, I hereby issue this Certificate of Amendment to the Articles of Incorporation and attach hereto a duplicate of the Articles of Amendment.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this October 25, 2000.



Joyce Hazeltine  
Secretary of State

RETURN TO  
SECRETARY OF STATE  
STATE CAPITOL  
500 E. CAPITOL  
PIERRE, S.D. 57501  
605-773-4845

**ARTICLES OF AMENDMENT  
TO THE  
ARTICLES OF INCORPORATION**

---

Pursuant to the provisions of SDCL 47-2-9, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation:

1. The name of the corporation is Dakota Telecom, Inc.
2. The following amendment of the Articles of Incorporation was adopted by the shareholders of the corporation on October 3, 2000, in the manner prescribed by the South Dakota Corporation Acts.


**ARTICLE ONE  
NAME**

The name of the corporation is McLeodUSA Telecom Development, Inc.

3. The number of shares voted for such amendment was: 100% of the Sole Shareholder in favor of the amendment.

Dated: October 3, 2000.

McLeodUSA Telecom Development, Inc.

By:   
Randall Rings  
Vice President and Secretary



**Dakota Telecom, Inc.**  
**Joint Unanimous Written Consent**  
**of Sole Shareholder and Board of Directors**


The undersigned, being the Sole Shareholder and all of the Directors of Dakota Telecom, Inc., a South Dakota corporation (the "Company"), hereby consent, pursuant to Sections 47-4-4 and 47-5-11 of the South Dakota Code, to the adoption of the following resolution:


**RESOLVED**, that the Company's Articles of Incorporation be, and hereby are, amended to replace ARTICLE I, The Name of the Corporation, to read in its entirety as follows:

**Article I. Name.** The name of the corporation is McLeodUSA Telecom Development, Inc.

**IN WITNESS WHEREOF**, the undersigned has caused this Joint Unanimous Written Consent to be executed effective the 3<sup>rd</sup> day of October, 2000.

Dakota Telecommunications Group, Inc.  
Sole Shareholder

  
STEPHEN C. GRAY  
Director

BY:   
RANDALL RINGS  
Its Vice President and Secretary

# SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

## CERTIFICATE OF AUTHORITY

To Conduct Business As A Telecommunications Company  
Within The State Of South Dakota as authorized by the Final Order  
and Decision Granting a Certificate of Authority dated 10/22/96

Authority was Granted October 3, 1996  
Docket No. TC96-050

*This is to certify that*

**DAKOTA TELECOM, INC.**

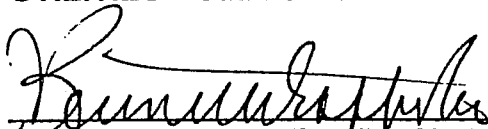
*is authorized to provide telecommunications services in South Dakota.*

This certificate is issued in accordance with SDCL 49-31-3 and ARSD  
20:10:24:02, and is subject to all of the conditions and limitations contained in  
the rules and statutes governing its conduct of offering telecommunications  
services.


Dated at Pierre, South Dakota, this 22nd day of October, 1996.

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION:



  
KENNETH STOFFERAHN, Chairman

  
JAMES A. BURG, Commissioner

  
LASKA-SCHOENFELDER, Commissioner

STATE OF SOUTH DAKOTA



OFFICE OF THE SECRETARY OF STATE

Certificate Of Incorporation Business Corporation

I, ALICE KUNDERT, Secretary of State of the State of South Dakota, hereby certify that duplicate originals of the Articles of Incorporation of DAKOTA TELECOM, INC.

duly signed and verified, pursuant to the provisions of the South Dakota Business Corporation Act, have been received in this office and are found to conform to law.

ACCORDINGLY and by virtue of the authority vested in me by law, I hereby issue this Certificate of Incorporation of DAKOTA TELECOM, INC.

and attach hereto a duplicate original of the articles of Incorporation.



IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this 19th day of

September A.D. 19. 83

Alice Kundert Secretary of State

## Exhibit G

### South Dakota Communities

<b>Incumbent Local Exchange Carrier</b>	<b>Competitive Local Exchange Carrier</b>
Alsen	Canton
Beresford Rural	Centerville
Chancellor	Colman
Flyger	Elk Point
Gayville	Flandreau
Hurley	Harrisburg
Irene	Madison
Lennox	North Sioux City
Monroe	Tea
Parker	Viborg
Volin	Watertown
Wakonda	Yankton
Worthing	

**CONFIDENTIAL**

2

South Dakota Public Utilities Commission

**WEEKLY FILINGS**

For the Period of June 13, 2002 through June 19, 2002

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

**CONSUMER COMPLAINTS**

**CT02-019 In the Matter of the Complaint filed by Eileen Nelson, Sioux Falls, South Dakota, against McLeodUSA Telecommunications Services, Inc. Regarding a Billing Dispute.**

Complainant states that she signed up for McLeod service but the service was not connected in a timely manner and she was billed for monthly service when McLeod was not her provider. McLeod informed her that she would be receiving a \$20.00 check for the connection fee. Complainant never received the check. Complainant also states that her long distance rates are incorrect. Complainant feels McLeod owes her compensation for all the stress she has had to endure over this situation and that she has not been compensated for the billing mistakes.

Staff Analyst: Mary Healy  
Staff Attorney: Kelly Frazier  
Date Docketed: 06/14/02  
Intervention Deadline: N/A

**CT02-020 In the Matter of the Complaint filed by Bruce Olson, Rapid City, South Dakota, against AT&T Communications of the Midwest, Inc. Regarding Unauthorized Billing for Services.**

Complainant states that he is being billed for collect calls that were not accepted in his home. Complainant requests that all charges be removed and that he receive a letter of apology from AT&T admitting to the billing error.

Staff Analyst: Mary Healy  
Staff Attorney: Karen Cremer  
Date Docketed: 06/14/02  
Intervention Deadline: N/A

**CT02-021 In the Matter of the Complaint filed by Christopher A. Cutler on behalf of Recreational Adventures Co., Hill City, South Dakota, against AT&T Communications of the Midwest, Inc. Regarding Failure to Provide Service.**

Christopher Cutler states that in March 2002, Complainant entered into an agreement with AT&T to receive Fragmented T1 service. On more than one occasion, the AT&T representative assured the Complainant that AT&T could provide this service. Complainant has now been informed that AT&T can not provide the Fragmented T1 service. Complainant states that they have invested more than \$150,000.00 in their business to utilize the Fragmented T1 service. Complainant requests that AT&T provide the Fragmented T1 service that it stated it could provide. If the service cannot be provided, Complainant would be willing to negotiate a settlement with AT&T for the expenses the Complainant has incurred. Complainant feels that AT&T should put forth some form of effort to resolve this complaint.

Staff Analyst: Mary Healy  
Staff Attorney: Karen Cremer  
Date Docketed: 06/17/02  
Intervention Deadline: N/A

**CT02-022 In the Matter of the Complaint filed by Mark & Sue Cichos, Pierre, South Dakota, against UKI Communications, Inc. Regarding Unauthorized Switching of Services.**

Complainant states that service was never authorized. Complainant feels that as a provider of service in South Dakota, UKI should be aware of the laws and rules regarding switching a consumer's telephone service. Complainant requests \$1,000.00 as allowed by SD Law 49-31-93.

Staff Analyst: Mary Healy  
Staff Attorney: Karen Cremer  
Date Docketed: 06/19/02  
Intervention Deadline: N/A

## TELECOMMUNICATIONS

**TC01-163 In the Matter of the Application of BAK Communications, LLC for a Certificate of Authority to Provide Interexchange Telecommunications Services in South Dakota.**

BAK Communications, LLC was issued a Certificate of Authority January 31, 2002, with restrictions from offering prepaid calling cards. BAK Communications, LLC is requesting that the restrictions be removed from its Certificate of Authority. The company has submitted a \$25,000 surety bond in lieu of the restrictions.

Staff Analyst: Michele Farris  
Staff Attorney: Kelly Frazier  
Date Filed: 06/14/02  
Intervention Deadline: 07/05/02

**TC02-059 In the Matter of the Application of Wholesale Carrier Services, Inc. for a Certificate of Authority to Provide Interexchange Telecommunications Services in South Dakota.**

Wholesale Carrier Services, Inc. has filed an application with the South Dakota Public Utilities Commission for a Certificate of Authority to provide interexchange service in South Dakota. The applicant intends to provide resold interexchange services, including 1+ and 101XXXX outbound dialing, 800/888 toll-free inbound dialing, directory assistance, data services, travel card service, and prepaid calling card service throughout South Dakota.

Staff Analyst: Michele Farris  
Staff Attorney: Kelly Frazier  
Date Docketed: 06/13/02  
Intervention Deadline: 07/05/02

**TC02-060 In the Matter of the Filing for Approval of an Agreement for Terms and Conditions for Interconnection, Unbundled Network Elements, Ancillary Services and Resale of Telecommunications Services between Qwest Corporation and Level 3 Communications, LLC**

On June 17, 2002, the Commission received for approval a filing of an Agreement for Terms and Conditions for Interconnection, Unbundled Network Elements, Ancillary Services and Resale of Telecommunications Services between Qwest Corporation (Qwest) and Level 3 Communications, LLC (Level 3). According to the parties, the agreement is a negotiated agreement which sets forth the terms, conditions and prices under which Qwest will offer and provide to any requesting CLEC network interconnection, access to unbundled network elements, ancillary services and telecommunications services available for resale. The Agreement is limited to the geographical areas in which Qwest is the incumbent local exchange carrier within the State of South Dakota for purposes of providing local telecommunications services. Any party wishing to comment on the agreement may do so by filing written comments with the Commission and the parties to the agreement no later than July 8, 2002. Parties to the agreement may file written responses to the comments no later than twenty days after the service of the initial comments.

Staff Attorney: Kelly Frazier  
Date Docketed: 06/17/02  
Initial Comments Due: 07/08/02

**TC02-061 In the Matter of the Filing for Approval of a Resale Agreement between Qwest Corporation and Houlton Enterprises, Inc. d/b/a Guaranteed Phone Service**

On June 17, 2002, the Commission received a filing for approval of a Resale Agreement between Qwest Corporation (Qwest) and Houlton Enterprises, Inc. d/b/a Guaranteed Phone Service. According to the parties, the Agreement is a negotiate agreement which sets forth the terms, conditions and prices under which Qwest agrees to provide unbundled network element platform and/or services for resale to Guaranteed Phone Service for the sole purpose of providing telecommunications services. Any party wishing to comment on the agreement may do so by filing written comments with the Commission and the parties to the agreement no later than July 8, 2002. Parties to the agreement may file written responses to the comments no later than twenty days after the service of the initial comments.

Staff Attorney: Kelly Frazier  
Date Docketed: 06/17/02  
Initial Comments Due: 07/08/02

**TC02-062 In the Matter of the Petition of Dakota Community Telephone, Inc. and McLeodUSA Telecom Development, Inc. for Approval of the Transfer of its Stock to PrairieWave Communications, Inc.**

On June 17, 2002, Dakota Community Telephone, Inc. and McLeodUSA Telecom Development, Inc. (collectively, Petitioners), request Commission approval of a transaction whereby the stock of the Petitioners will be acquired by PrairieWave Communications, Inc. Contemporaneous with the closing of this transaction, Petitioners will file with the Secretary of State to change the names of Dakota Community Telephone, Inc. to PrairieWave Community Telephone, Inc. and McLeodUSA Telecom Development, Inc. to PrairieWave Telecommunications, Inc.

Staff Analyst: Harlan Best  
Staff Attorney: Karen Cremer  
Date Docketed: 06/17/02  
Intervention Deadline: 07/05/02

**TC02-063 In the Matter of the Filing by Essex Communications, Inc. d/b/a eLEC Communications for Approval of Relief of Certification Requirement to Post Surety Bond.**

In an Order dated January 10, 2001, the Commission granted Essex Communications, Inc. d/b/a eLEC Communications (Essex) authority to provided interexchange and local exchange telecommunications services in South Dakota, subject to a continuous \$25,000 surety bond. On June 18, 2002, the Commission received a filing from Essex requesting relief from the Commission's bond requirement.

Staff Analyst: Keith Senger  
Staff Attorney: Kelly Frazier  
Date Docketed: 06/18/02  
Intervention Deadline: 07/05/02

**TC02-064 In the Matter of the Establishment of Switched Access Revenue Requirement for Sully Buttes Telephone Cooperative, Inc.**

On June 18, 2002, Sully Buttes Telephone Cooperative, Inc., filed a switched access cost study developing a revenue requirement and minutes of use that are included in the revenue requirement and minutes of use used to determine the switched access rates for the Local Exchange Carrier Association.



Staff Analyst: Heather Forney  
Staff Attorney: Karen Cremer  
Date Docketed: 06/18/02  
Intervention Deadline: 07/05/02

**TC02-065 In the Matter of the Establishment of Switched Access Revenue Requirement for Splitrock Properties, Inc.**

Splitrock Properties, Inc., Garretson, South Dakota, filed a switched access cost study developing a revenue requirement and minutes of use that are included in the revenue requirement and minutes of use used to determine the switched access rates for the Local Exchange Carrier Association.

Staff Analyst: Keith Senger  
Staff Attorney: Karen Cremer  
Date Docketed: 06/18/02  
Intervention Deadline: 07/05/02

**TC02-066 In the Matter of the Establishment of Switched Access Revenue Requirement for Splitrock Telecom Cooperative, Inc.**

Splitrock Telecom Cooperative, Inc., Garretson, South Dakota, filed a switched access cost study developing a revenue requirement and minutes of use that are included in the revenue requirement and minutes of use used to determine the switched access rates for the Local Exchange Carrier Association.

Staff Analyst: Keith Senger  
Staff Attorney: Karen Cremer  
Date Docketed: 06/18/02  
Intervention Deadline: 07/05/02

**TC02-067 In the Matter of the Establishment of Switched Access Revenue Requirement for Midstate Communications, Inc.**

On June 19, 2002, Midstate Communications, Inc., Kimball, South Dakota, filed a switched access cost study developing a revenue requirement and minutes of use that are included in the revenue requirement and minutes of use used to determine the switched access rates for the Local Exchange Carrier Association.

Staff Analyst: Harlan Best  
Staff Attorney: Karen Cremer  
Date Docketed: 06/19/02  
Intervention Deadline: 07/05/02

**TC02-068 In the Matter of the Establishment of Switched Access Revenue Requirement for McCook Cooperative Telephone Company.**

On June 19, 2002, McCook Cooperative Telephone Company filed a switched access cost study developing a revenue requirement and minutes of use that are included in the revenue requirement and minutes of use used to determine the switched access rates for the Local Exchange Carrier Association.

Staff Analyst: Heather Forney  
Staff Attorney: Karen Cremer  
Date Docketed: 06/19/02  
Intervention Deadline: 07/05/02

TC02-062



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JUN 24 2002

June 20, 2002

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

Debra Elofson  
Executive Director  
South Dakota Public Utilities Commission  
Capitol Building, First Floor  
500 East Capitol Avenue  
Pierre, SD 57501

**RE: Filing of Application for Transfer of Control of McLeodUSA Telecom  
Development, Inc. and Dakota community Telephone to PrairieWave  
Communications, Inc.**

Dear Ms. Elofson:

On June 14, 2002, an original and ten (10) copies of the filing for the above-captioned matter were submitted to you. In the Petition, PrairieWave's registration for the State of South Dakota was attached as Exhibit B, but only the application was provided in the initial filing. The South Dakota Secretary of State issued the Certificate of Authority to PrairieWave Communications, Inc. on June 17, 2002. Enclosed please find 11 copies of the Certificate, labeled as Exhibit B, that become part of the initial filing.

If you have any questions please feel free to contact me at 605-965-9361.

Sincerely,

Kristie Lyngstad  
Executive Administrative Assistant

Enclosures: 11 copies of Exhibit B

**RECEIVED**

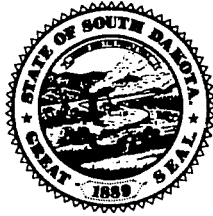
JUN 24 2002

**SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION**

**Exhibit B**

**PrairieWave's  
State of South Dakota Registration**

# State of South Dakota



## OFFICE OF THE SECRETARY OF STATE

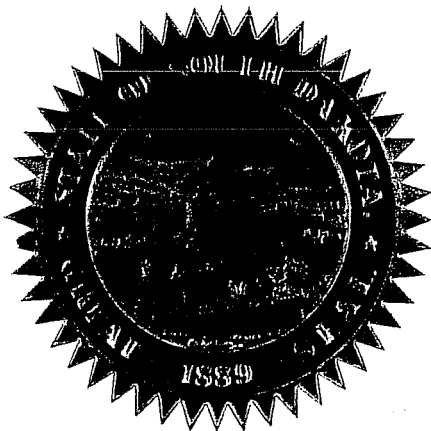
### Certificate of Authority

ORGANIZATIONAL ID #: FB026354

I, **JOYCE HAZELTINE**, Secretary of State of the State of South Dakota, hereby certify that the Application for a Certificate of Authority of **PRAIRIEWAVE COMMUNICATIONS, INC. (DE)** to transact business in this state duly signed and verified pursuant to the provisions of the South Dakota Corporation Acts, have been received in this office and are found to conform to law.

**ACCORDINGLY** and by virtue of the authority vested in me by law, I hereby issue this Certificate of Authority and attach hereto a duplicate of the application to transact business in this state.

**IN TESTIMONY WHEREOF**, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this June 17, 2002.



A handwritten signature in cursive script that reads "Joyce Hazeltine".

**Joyce Hazeltine**  
Secretary of State

(10) The aggregate number of its issued shares, itemized by classes, par value of shares, shares without par value, and series, if any, within a class, is:

Number of shares	Class	Series	Par value per share or statement that shares are without par value
<u>38,000</u>	<u>Common</u>		<u>\$0.01</u>

(11) The amount of its stated capital is \$ 380.00  
Shares issued times par value equals stated capital. In the case of no par value stock, stated capital is the consideration received for the issued shares.

(12) This application is accompanied by a CERTIFICATE OF FACT or a CERTIFICATE OF GOOD STANDING duly acknowledged by the Secretary of State or other officer having custody of corporate records in the state or country under whose laws it is incorporated.

(13) That such corporation shall not directly or indirectly combine or make any contract with any incorporated company, foreign or domestic, through their stockholders or the trustees or assigns of such stockholders, or with any copartnership or association of persons, or in any manner whatever to fix the prices, limit the production or regulate the transportation of any product or commodity so as to prevent competition in such prices, production or transportation or to establish excessive prices therefor.

(14) That such corporation, as a consideration of its being permitted to begin or continue doing business within the State of South Dakota, will comply with all the laws of the said State with regard to foreign corporations.

The application must be signed, in the presence of a notary public, by the chairman of the board of directors, or by the president or by another officer.

I DECLARE AND AFFIRM UNDER THE PENALTY OF PERJURY THAT THIS APPLICATION IS IN ALL THINGS, TRUE AND CORRECT.

Dated May 29, 2002

Craig A. Anderson  
(Signature) **Craig A. Anderson**  
**Chairman and Chief Executive Officer**  
(Title)

STATE OF South Dakota  
COUNTY OF Minnehaha

I, Kristie Lyngstad, a notary public, do hereby certify that on this 29 day of May 2002, personally appeared before me Craig A. Anderson who, being by me first duly sworn, declared that he/she is the Chairman/CEO of PrairieWave Communications, Inc., that he/she signed the foregoing document as officer of the corporation, and the statements therein contained are true.

6-7-07  
My Commission Expires

Kristie Lyngstad  
(Notary Public)

Notarial Seal

\*\*\*\*\*

The Consent of Appointment below must be signed by the registered agent listed in number six.

### Consent of Appointment by the Registered Agent

I, Craig A. Anderson, hereby give my consent to serve as the registered agent for PrairieWave Communications, Inc.  
(name of registered agent)  
(corporate name)

Dated May 29 2002

By: Craig A. Anderson  
(signature of registered agent)

PRAIRIEWAVE COMMUNICATIONS, INC.  
Directors and Officers

Directors:

Addresses:

Craig A. Anderson

2601 E. Slaten Park Cir.  
Sioux Falls, SD 57103

Timothy F. Jaeger

939 Transport Way, Suite B  
Petaluma, CA 94954

Tracy T. Larsen

111 Lyon St., N.W., #900  
Grand Rapids, MI 49503-2487

Officers:

Addresses:

Craig A. Anderson  
Chairman and Chief Executive Officer

2601 E. Slaten Park Cir.  
Sioux Falls, SD 57103

Timothy F. Jaeger  
President and Chief Financial Officer

939 Transport Way, Suite B  
Petaluma, CA 94954

Eugene P. McCord  
Vice President and Chief Information  
Officer

939 Transport Way, Suite B  
Petaluma, CA 94954

Tracy T. Larsen  
Corporate Secretary

111 Lyon St., N.W., #900  
Grand Rapids, MI 49503-2487



Secretary of State  
 State Capitol  
 500 F. Lincoln Ave.  
 Pierre SD 57501  
 Phone 605-773-4845  
 Fax 605-773-4550

FILE NO. \_\_\_\_\_

RECEIPT NO. \_\_\_\_\_

RECEIVED  
 JUN 11 '02  
 S.D. SEC. OF STATE  
 RECEIVED  
 JUN 3 '02

### Application for Certificate of Authority

Under the provisions of SDCL 47-8-7, the undersigned corporation hereby applies for a Certificate of Authority to transact business in the State of South Dakota and for that purpose submits the following statement:

(1) The name of the corporation is PrairieWave Communications, Inc.  
 (exact corporate name)

(2) If the name of the corporation does not contain the word "corporation", "company", "incorporated" or "limited" or does not contain an abbreviation of one of such words, then the name of the corporation with the word or abbreviation which it elects to add thereto for use in this state is \_\_\_\_\_

(3) State where incorporated Delaware Federal Taxpayer ID# 03-0446724

(4) The date of its incorporation is 03/07/2002 and the period of its duration, which may be perpetual, is Perpetual

(5) The address of its principal office in the state or country under the laws of which it is incorporated is  
1209 Orange St., Wilmington, Delaware Zip Code 19801  
 mailing address if different from above is: \_\_\_\_\_ Zip Code \_\_\_\_\_

(6) The street address, or a statement that there is no street address, of its proposed registered office in the State of South Dakota is  
5100 South McLeod Lane, Sioux Falls, SD 57108  
 and the name of its proposed registered agent in the State of South Dakota at that address is Craig A. Anderson

(7) The purposes which it proposes to pursue in the transaction of business in the State of South Dakota are: (state specific purpose)  
telecommunication services

(8) The names and respective addresses of its directors and officers are:

Name	Officer Title	Street Address	City	State	Zip
<u>SEE ATTACHMENT</u>					

(9) The aggregate number of shares which it has authority to issue, itemized by classes, par value of shares, shares without par value, and series, if any, within a class is:

Number of shares	Class	Series	Par value per share or statement that shares are without par value
<u>60,000</u>	<u>Common</u>		<u>\$0.01</u>

# Delaware

*The First State*

PAGE 1

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JUN 3 '02

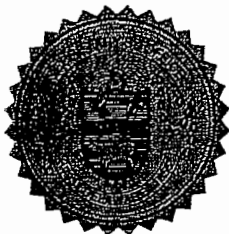
S.D. SEC. OF STATE

RECEIVED

JUN 17 '02

S.D. SEC. OF STATE

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "PRAIRIEWAVE COMMUNICATIONS, INC. IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE SIXTH DAY OF MAY, A.D. 2002.



*Harriet Smith Windsor*

Harriet Smith Windsor, Secretary of State



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

<b>IN THE MATTER OF THE PETITION OF</b>	)	<b>ORDER FOR AND NOTICE</b>
<b>DAKOTA COMMUNITY TELEPHONE, INC.</b>	)	<b>OF HEARING</b>
<b>AND MCLEODUSA TELECOM</b>	)	
<b>DEVELOPMENT, INC. FOR APPROVAL OF</b>	)	<b>TC02-062</b>
<b>THE TRANSFER OF ITS STOCK TO</b>	)	
<b>PRAIRIEWAVE COMMUNICATIONS, INC.</b>	)	

On June 17, 2002, Dakota Community Telephone, Inc. (DCT) and McLeodUSA Telecom Development, Inc. (MTD) (together, "Petitioners") filed a petition (petition or application) requesting the South Dakota Public Utilities Commission (Commission) to approve a transaction in which Petitioners' stock will be acquired by PrairieWave Communications, Inc. (PrairieWave). The application states that the change of ownership and control will be accomplished in accordance with the terms of the stock purchase agreement filed with the petition (Agreement). Petitioners have requested confidential treatment of both the Agreement and pro forma financial statements filed with the petition. Contemporaneously with the closing of the transaction, Petitioners will file with the Secretary of State to change the name of DCT to PrairieWave Community Telephone, Inc. and MTD to PrairieWave Telecommunications, Inc. The petition further states that there will be no change in the management or operation of Petitioners as a result of the transaction, that the terms, conditions and prices for local exchange service will remain in effect and that Petitioners' access tariffs will change in name only.

The petition states that DCT operates Petitioners' incumbent local exchanges and that MTD operates the competitive local exchanges. Petitioners provide local exchange services as the incumbent carrier to the following local exchanges: Alsen, Beresford Rural, Chancellor, Flyger, Gayville, Hurley, Irene, Lennox, Monroe, Parker, Volin, Wakonda and Worthing (DCT Exchanges). Petitioners provide local exchange services as a competitive carrier to the following local exchanges: Canton, Centerville, Colman, Elk Point, Flandreau, Harrisburg, Madison, North Sioux City, Tea, Viborg, Watertown and Yankton (MTD Exchanges).

On June 20, 2002, the Commission electronically transmitted notice of the filing and the intervention deadline of July 5, 2002, to interested individuals and entities. No petitions to intervene or comments were filed.

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

A hearing will be held on the application on August 12, 2002, at 6:30 P.M. (CDT), in the Viborg Community Center, 101 W. Sorenson, Viborg, South Dakota. The issues at the hearing will be whether the sales of each of the DCT Exchanges and each of the MTD Exchanges should be approved. Pursuant to SDCL 49-31-59, the Commission must separately approve the sale of each exchange after considering the following: the protection of the public interest, the adequacy of local telephone service, the reasonableness of rates for local service, the provision of 911, Enhanced 911,

and other public safety services, the payment of taxes, and the ability of the local exchange company to provide modern, state-of-the-art telecommunications services that will help promote economic development, tele-medicine, and distance learning in rural South Dakota.

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

The hearing is an adversary proceeding conducted pursuant to SDCL Chapter 1-26. All parties have the right to attend and represent themselves or be represented by an attorney. However, such rights and other due process rights 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, if any, presented during the hearing or a Final Decision may be issued by default pursuant to SDCL 1-26-20.

The Commission, after examining the evidence and hearing testimony presented by the parties and the public, 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 any or all of the DCT and MTD Exchanges. The Final Decision made by the Commission may be appealed by any party to the Circuit Court and the South Dakota Supreme Court as provided by law. It is therefore

ORDERED, that a hearing shall be held on the application for approval of the transfer by DCT and MTD of the DCT and MTD Exchanges to PrairieWave 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 24<sup>th</sup> day of July, 2002.

<b>CERTIFICATE OF SERVICE</b>	
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>Alaine Koelb</u>
Date:	<u>7/24/02</u>
(OFFICIAL SEAL)	

BY ORDER OF THE COMMISSION:

James A. Burg  
JAMES A. BURG, Chairman

Pam Nelson  
PAM NELSON, Commissioner

Robert K. Sahr  
ROBERT K. SAHR, Commissioner

# HYNES & MCCAULLEY LAW FIRM

A PROFESSIONAL LIMITED LIABILITY COMPANY

Matthew S. McCaulley  
*matt@sdlawfirm.com*

122 SOUTH PHILLIPS AVENUE, SUITE 250  
SIOUX FALLS, SD 57104-6706  
PHONE: (605) 332-0500  
FAX: (605) 332-2525  
*www.sdlawfirm.com*

Thomas P. Hynes  
*tom@sdlawfirm.com*  
Of Counsel

August 8, 2002

**RECEIVED**

AUG - 9 2002

**VIA FEDERAL EXPRESS**

**SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION**

Ms. Debra Elofson  
Executive Director  
South Dakota Public Utilities Commission  
Capitol Building, First Floor  
500 East Capitol Avenue  
Pierre, SD 57501

**Re: In the Matter of the Petition of Dakota Community Telephone, Inc. and McLeodUSA  
Telecom Development, Inc. for Approval of the Transfer of its Stock to PrairieWave  
Communications, Inc. (TC 02-062)**

Dear Ms. Elofson:

Enclosed for filing in the above-captioned matter are the original and ten (10) copies of the Request for Confidentiality of Financial Documents.

If you have any questions or comments, please feel free to contact me at the above listed phone number.

Sincerely,



Matthew McCaulley  
Attorney at Law

MM/sem

Enclosures: As stated

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF SOUTH DAKOTA

RECEIVED

AUG - 9 2002

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

IN THE MATTER OF THE PETITION )  
OF DAKOTA COMMUNITY )  
TELEPHONE, INC. AND McLEODUSA )  
TELECOM DEVELOPMENT, INC. )  
FOR APPROVAL OF THE TRANSFER )  
OF ITS STOCK TO PRAIRIEWAVE )  
COMMUNICATIONS, INC. )

REQUEST FOR CONFIDENTIALITY  
OF FINANCIAL DOCUMENTS

TC 02-062

Dakota Community Telephone, Inc. and McLeodUSA Telecom Development, Inc. have applied to this Commission for an order approving the transfer of the stock in each corporation to PrairieWave Communications, Inc. (PrairieWave). The Commission has set August 12, 2002 for a public hearing concerning the proposed transfer. The petition/application and other supplemental documents contain confidential and proprietary financial information of the buyer, PrairieWave. In addition, PrairieWave may introduce additional confidential and proprietary information at the August 12, 2002 hearing in support of the petition/application.

The financial information of PrairieWave contains proprietary and confidential financial information as defined by ARSD 20:10:01:39 (1990). This material, if disclosed, would give the competitors of PrairieWave an advantage in the competitive arena and would violate confidentiality covenants imposed on PrairieWave by third parties. Disclosure of the confidential information would serve no public purpose and, to the contrary, would clearly be anti-competitive in the marketplace and thus against the interest of the public.

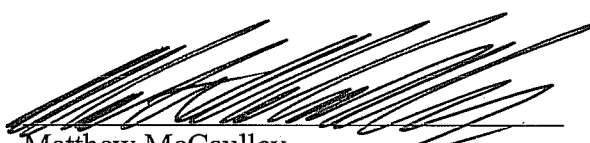
PrairieWave Communications, Inc. respectfully requests that the Commission make the documents on file with the Commission confidential pursuant to its authority under ARSD 20:10:01:39-44 (1990) and provide for the confidentiality of financial documents that may be introduced at the August 12, 2002 hearing.

Dated this 8<sup>th</sup> day of August, 2002.

Respectfully submitted,

**PrairieWave Communications, Inc.**

By:



Matthew McCaulley  
Attorney at Law  
122 South Phillips Avenue Suite 250  
Sioux Falls, SD 57104  
605-332-0500  
matt@sdlawfirm.com

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document and ten copies on the following person by Federal Express:

Ms. Debra Elofson  
Executive Director  
South Dakota Public Utilities Commission  
Capitol Building, First Floor  
500 East Capitol Avenue  
Pierre, SD 57501

Dated on this 8<sup>th</sup> day of August, 2002.



Matthew McCaulley, Attorney at Law  
On behalf of PrairieWave Communications, Inc.



RECEIVED

AUG 14 2002

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

August 13, 2002

Debra Elofson  
Executive Director  
South Dakota Public Utilities Commission  
Capitol Building, First Floor  
500 East Capitol Avenue  
Pierre, SD 57501

RE: Copy Introduced into Record

Dear Ms. Elofson:

Enclosed please find nine (9) of the complete copy introduced into record at last night's, August 12, 2002, hearing held in Viborg, SD.

Should you have any questions, I can be reached at 605-965-9368

Sincerely,

Dawn Haase  
Legal Assistant

cc: Matthew S McCaulley  
Enclosures

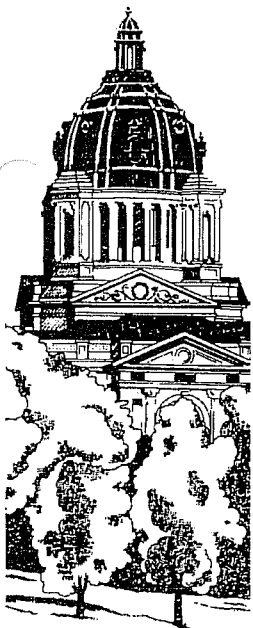
**Exhibit J**

**Response to PUC Questions**

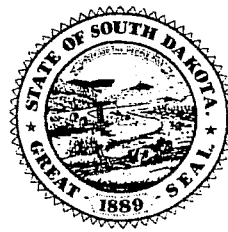
**RE: PrairieWave Communications, Inc. Purchase**

**TC02-062**





# South Dakota Public Utilities Commission



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

June 24, 2002

William P. Heaston, Deputy General Counsel  
PrairieWave Communications, Inc.  
5100 South McLeod Lane  
Sioux Falls, SD 57108

Re: PrairieWave Communications, Inc. Purchase, TC02-062

Dear Mr. Heaston:

An initial review of your company's Petition for PrairieWave Communications, Inc. to purchase McLeodUSA Community Telephone, Inc., Dakota Community Telephone, Inc. and McLeodUSA Telecom Development, Inc. has raised the following questions. Please provide two copies of your responses.

1. Purchase Price (Confidential Exhibit A)

- a. How is the Purchase Price being divided among the three purchased entities?
- b. How much of the Purchase Price is funded by debt and how much by equity?
- c. How is this debt/equity funding being assigned to the three purchased entities?
- d. Is the Purchase Price above "book value"?
  1. If yes, for which entities?
  2. If no, for which entities?
- e. If the Purchase Price is above "book value" for any of the three entities, explain how this excess of book value amount will be treated for the setting of switched access rates, toll rates, or local exchange rates?
- f. Provide copy of the financial statements supporting the calculation of book value for each entity.

2. The Petitioners request that the Commission waive ARSD 20:10:32:03 which went into effect on December 27, 1998. McLeodUSA Telecom Development, Inc. filed an application for local exchange service on March 15, 1996 in TC96-050. Dakota Community Telephone, Inc. filed an application for local exchange service on October 15, 1997 in TC97-164. Since neither McLeod USA Telecom Development, Inc. or Dakota Community Telephone, Inc. has filed the information required in ARSD 20:10:32:03, please do so now. A copy of ARSD 20:10:32:03 is attached.

Capitol Office

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

Transportation/  
Warehouse Division

Telephone (605)773-5280  
FAX (605)773-3225

Consumer Hotline  
1-800-332-1782

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

Internet Website  
[www.state.sd.us/puc](http://www.state.sd.us/puc)

♦  
Jim Burg  
Chairman  
Pam Nelson  
Vice-Chairman  
Bob Sahr  
Commissioner

Debra Eloffson  
Executive Director

Harlan Best  
Martin C. Bettmann  
Sue Cichos  
Karen E. Cremer  
Christopher W. Downs  
Terry Emerson  
Michele M. Farris  
Marlette Fischbach  
Heather K. Forney  
Kelly D. Frazier  
Mary Giddings  
Mary A. Healy  
Lisa Hull  
Dave Jacobson  
Amy Kayser  
Bob Knadle  
Delaine Kolbo  
Gregory A. Rislov  
Keith Senger  
John Smith  
Rolayne Ailts Wiest  
♦

3. In accordance with Section 49-31-59, please provide answers to each of the following for each exchange that is being purchased by PrairieWave Communications, Inc.:

- a. How is the public interest protected by the Commission's approval of the purchase?
- b. How is adequate local telephone service ensured by the Commission's approval of the purchase?
- c. How will reasonable local service rates continue to be provided if the purchase is approved?
- d. How will 911 service be provided in the exchanges that are being purchased?
- e. How will Enhanced 911 service be provided in the exchanges that are being purchased?
- f. How will other public safety services be provided in the exchanges that are being purchased?
- g. How will the payment of taxes be continued in the exchanges that are being purchased? Provide a list of each tax that will be paid if the purchase is allowed.
- h. How will the local exchange company provide modern, state-of-the-art telecommunications services to promote economic development, tele-medicine, and distance learning in each exchange that is being purchased?

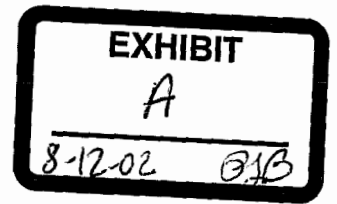
If you should have any question regarding the above requests, please feel free to contact me.

Sincerely,



HARLAN BEST, Utility Analyst

copy to Karen Cremer, Staff Attorney



**Exhibit A**

**Stock Purchase Agreement**

**Proprietary and Confidential**

**CONFIDENTIAL**

3

EXHIBIT  
B  
8-12-02 BJB

**Exhibit B**

**PrairieWave's  
State of South Dakota Registration**

# State of South Dakota



## OFFICE OF THE SECRETARY OF STATE

### Certificate of Authority

ORGANIZATIONAL ID #: FB026354

I, **JOYCE HAZELTINE**, Secretary of State of the State of South Dakota, hereby certify that the Application for a Certificate of Authority of **PRAIRIEWAVE COMMUNICATIONS, INC. (DE)** to transact business in this state duly signed and verified pursuant to the provisions of the South Dakota Corporation Acts, have been received in this office and are found to conform to law.

**ACCORDINGLY** and by virtue of the authority vested in me by law, I hereby issue this Certificate of Authority and attach hereto a duplicate of the application to transact business in this state.

**IN TESTIMONY WHEREOF**, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this June 17, 2002.



**Joyce Hazeltine**  
Secretary of State

(10) The aggregate number of its issued shares, itemized by classes, par value of shares, shares without par value, and series, if any, within a class, is:

Number of shares	Class	Series	Par value per share or statement that shares are without par value
38,000	Common		\$0.01

(11) The amount of its stated capital is \$ 380.00  
Shares issued times par value equals stated capital. In the case of no par value stock, stated capital is the consideration received for the issued shares.

(12) This application is accompanied by a CERTIFICATE OF FACT or a CERTIFICATE OF GOOD STANDING duly acknowledged by the Secretary of State or other officer having custody of corporate records in the state or country under whose laws it is incorporated.

(13) That such corporation shall not directly or indirectly combine or make any contract with any incorporated company, foreign or domestic, through their stockholders or the trustees or assigns of such stockholders, or with any copartnership or association of persons, or in any manner whatever to fix the prices, limit the production or regulate the transportation of any product or commodity so as to prevent competition in such prices, production or transportation or to establish excessive prices therefor.

(14) That such corporation, as a consideration of its being permitted to begin or continue doing business within the State of South Dakota, will comply with all the laws of the said State with regard to foreign corporations.

The application must be signed, in the presence of a notary public, by the chairman of the board of directors, or by the president or by another officer.

I DECLARE AND AFFIRM UNDER THE PENALTY OF PERJURY THAT THIS APPLICATION IS IN ALL THINGS, TRUE AND CORRECT.

Dated May 29, 2002

Craig A. Anderson  
(Signature) Craig A. Anderson  
Chairman and Chief Executive Officer  
(Title)

STATE OF South Dakota  
COUNTY OF Minnehaha

I, Kristic Lyngstad, a notary public, do hereby certify that on this 29 day of May 2002, personally appeared before me Craig A. Anderson who, being by me first duly sworn, declared that he/she is the Chairman/CEO of PrairieWave Communications, Inc., that he/she signed the foregoing document as officer of the corporation, and the statements therein contained are true.

6-7-07  
My Commission Expires

Kristic Lyngstad  
(Notary Public)

Notarial Seal

\*\*\*\*\*

The Consent of Appointment below must be signed by the registered agent listed in number six.

**Consent of Appointment by the Registered Agent**

I, Craig A. Anderson, hereby give my consent to serve as the registered agent for PrairieWave Communications, Inc.  
(name of registered agent)  
(corporate name)

Dated May 29 20 02 By: Craig A. Anderson  
(signature of registered agent)

PRAIRIEWAVE COMMUNICATIONS, INC.  
Directors and Officers

Directors:

Addresses:

Craig A. Anderson

2601 E. Slaten Park Cir.  
Sioux Falls, SD 57103

Timothy F. Jaeger

939 Transport Way, Suite B  
Petaluma, CA 94954

Tracy T. Larsen

111 Lyon St., N.W., #900  
Grand Rapids, MI 49503-2487

Officers:

Addresses:

Craig A. Anderson  
Chairman and Chief Executive Officer

2601 E. Slaten Park Cir.  
Sioux Falls, SD 57103

Timothy F. Jaeger  
President and Chief Financial Officer

939 Transport Way, Suite B  
Petaluma, CA 94954

Eugene P. McCord  
Vice President and Chief Information  
Officer

939 Transport Way, Suite B  
Petaluma, CA 94954

Tracy T. Larsen  
Corporate Secretary

111 Lyon St., N.W., #900  
Grand Rapids, MI 49503-2487





Secretary of State  
 State Capitol  
 500 F. Lincoln Ave.  
 Pierre SD 57501  
 Phone 605-773-4845  
 Fax 605-773-4650

FILE # \_\_\_\_\_

RECEIPT NO. \_\_\_\_\_

RECEIVED  
 JUN 17 '02  
 S.D. SEC. OF STATE  
 RECEIVED  
 JUN 3 '02

### Application for Certificate of Authority

*Filed by: [Signature]*  
 SECRETARY OF STATE

Under the provisions of SDCL 47-8-7, the undersigned corporation hereby applies for a Certificate of Authority to transact business in the State of South Dakota and for that purpose submits the following statement:

(1) The name of the corporation is PrairieWave Communications, Inc.  
 (exact corporate name)

(2) If the name of the corporation does not contain the word "corporation", "company", "incorporated" or "limited" or does not contain an abbreviation of one of such words, then the name of the corporation with the word or abbreviation which it elects to add thereto for use in this state is \_\_\_\_\_

(3) State where incorporated Delaware Federal Taxpayer ID# 03-0446724

(4) The date of its incorporation is 03/07/2002 and the period of its duration, which may be perpetual, is Perpetual

(5) The address of its principal office in the state or country under the laws of which it is incorporated is 1209 Orange St., Wilmington, Delaware Zip Code 19801  
 mailing address if different from above is: \_\_\_\_\_ Zip Code \_\_\_\_\_

(6) The street address, or a statement that there is no street address, of its proposed registered office in the State of South Dakota is 5100 South McLeod Lane, Sioux Falls, SD 57108  
 and the name of its proposed registered agent in the State of South Dakota at that address is Craig A. Anderson

(7) The purposes which it proposes to pursue in the transaction of business in the State of South Dakota are: (state specific purpose)  
telecommunication services

(8) The names and respective addresses of its directors and officers are:

Name	Officer Title	Street Address	City	State	Zip
<b>SEE ATTACHMENT</b>					

(9) The aggregate number of shares which it has authority to issue, itemized by classes, par value of shares, shares without par value, and series, if any, within a class is:

Number of shares	Class	Series	Par value per share or statement that shares are without par value
<u>60,000</u>	<u>Common</u>	<u> </u>	<u>\$0.01</u>

# Delaware

*The First State*

PAGE 1

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JUN 3 '02

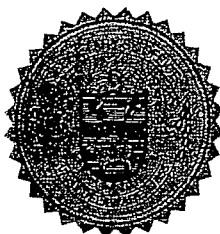
S.D. SEC. OF STATE

RECEIVED

JUN 17 '02

S.D. SEC. OF STATE

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "PRAIRIEWAVE COMMUNICATIONS, INC. IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE SIXTH DAY OF MAY, A.D. 2002.



*Harriet Smith Windsor*

Harriet Smith Windsor, Secretary of State



Secretary of State  
Staté Capitol  
500 E. Capítol Ave.  
Pierre SD 57501  
Phone 605-773-4845  
Fax 605-773-4550

FILE NO. \_\_\_\_\_

RECEIPT NO. \_\_\_\_\_

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Pursuant to the provisions of SDCL 47-8-7, the undersigned corporation hereby applies for a Certificate of Authority to transact business in the State of South Dakota and for that purpose submits the following statement:

RECEIVED

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(exact corporate name)

JUN 3 '02

S.D. SEC. OF STATE

(2) If the name of the corporation does not contain the word "corporation", "company", "incorporated" or "limited" or does not contain an abbreviation of one of such words, then the name of the corporation with the word or abbreviation which it elects to add thereto for use in this state is \_\_\_\_\_

(3) State where incorporated Delaware Federal Taxpayer ID# 03-0446724

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(5) The address of its principal office in the state or country under the laws of which it is incorporated is 1209 Orange St., Wilmington, Delaware Zip Code 19801  
mailing address if different from above is: \_\_\_\_\_ Zip Code \_\_\_\_\_

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telecommunication services

(8) The names and respective addresses of its directors and officers are:

Name	Officer Title	Street Address	City	State	Zip
<u>SEE ATTACHMENT</u>					

(9) The aggregate number of shares which it has authority to issue, itemized by classes, par value of shares, shares without par value, and series, if any, within a class is:

Number of shares	Class	Series	Par value per share or statement that shares are without par value
<u>60,000</u>	<u>Common</u>		<u>\$0.01</u>

(10) The aggregate number of its issued shares, itemized by classes, par value of shares, shares without par value, and series, if any, within a class, is:

Number of shares	Class	Series	Par value per share or statement that shares are without par value
<u>38,000</u>	<u>Common</u>		<u>\$0.01</u>

(11) The amount of its stated capital is \$ 380.00  
Shares issued times par value equals stated capital. In the case of no par value stock, stated capital is the consideration received for the issued shares.

(12) This application is accompanied by a CERTIFICATE OF FACT or a CERTIFICATE OF GOOD STANDING duly acknowledged by the Secretary of State or other officer having custody of corporate records in the state or country under whose laws it is incorporated.

(13) That such corporation shall not directly or indirectly combine or make any contract with any incorporated company, foreign or domestic, through their stockholders or the trustees or assigns of such stockholders, or with any copartnership or association of persons, or in any manner whatever to fix the prices, limit the production or regulate the transportation of any product or commodity so as to prevent competition in such prices, production or transportation or to establish excessive prices therefor.

(14) That such corporation, as a consideration of its being permitted to begin or continue doing business within the State of South Dakota, will comply with all the laws of the said State with regard to foreign corporations.

The application must be signed, in the presence of a notary public, by the chairman of the board of directors, or by the president or by another officer.

I DECLARE AND AFFIRM UNDER THE PENALTY OF PERJURY THAT THIS APPLICATION IS IN ALL THINGS, TRUE AND CORRECT.

Dated May 29, 2002

Craig A. Anderson  
(Signature) Craig A. Anderson  
Chairman and Chief Executive Officer  
(Title)

STATE OF South Dakota  
COUNTY OF Minnehaha

I, Kristie Lyngstad, a notary public, do hereby certify that on this 29 day of May 2002, personally appeared before me Craig A. Anderson who, being by me first duly sworn, declared that he/she is the Chairman/CEO of PrairieWave Communications, Inc., that he/she signed the foregoing document as officer of the corporation, and the statements therein contained are true.

12-9-07  
My Commission Expires

Kristie Lyngstad  
(Notary Public)

Notarial Seal

\*\*\*\*\*  
The Consent of Appointment below must be signed by the registered agent listed in number six.

**Consent of Appointment by the Registered Agent**

I, Craig A. Anderson, hereby give my consent to serve as the registered agent for PrairieWave Communications, Inc.  
(name of registered agent)  
(corporate name)

Dated MAY 29 20 02

By: Craig A. Anderson  
(signature of registered agent)

PRAIRIEWAVE COMMUNICATIONS, INC.  
Directors and Officers

Directors:

Craig A. Anderson

Timothy F. Jaeger

Tracy T. Larsen

Addresses:

2601 E. Slaten Park Cir.  
Sioux Falls, SD 57103

939 Transport Way, Suite B  
Petaluma, CA 94954

111 Lyon St., N.W., #900  
Grand Rapids, MI 49503-2487

Officers:

Craig A. Anderson  
Chairman and Chief Executive Officer

Timothy F. Jaeger  
President and Chief Financial Officer

Eugene P. McCord  
Vice President and Chief Information  
Officer

Tracy T. Larsen  
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Petaluma, CA 94954

111 Lyon St., N.W., #900  
Grand Rapids, MI 49503-2487

# Delaware

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PAGE 1

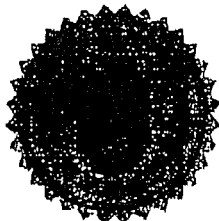
RECEIVED

*The First State*

JUN 3 '02

S.D. SEC. OF STATE

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "PRAIRIEWAVE COMMUNICATIONS, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE SIXTH DAY OF MAY, A.D. 2002.



*Harriet Smith Windsor*

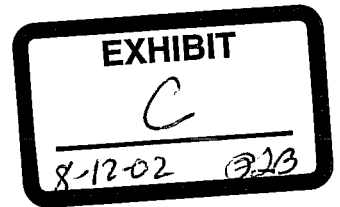
Harriet Smith Windsor, Secretary of State

3499758 8300

AUTHENTICATION: 1761903

020287461

DATE: 05-06-02



**Exhibit C**

**Description of  
PrairieWave Communications, Inc.**

## Exhibit C

**PrairieWave Communications, Inc.** (PrairieWave) specializes in the design, construction and operation of broadband communications systems for clustered small communities. Over these systems, we provide a full range of bundled telecommunications services to residential and small business customers including telephone, long distance, high-speed data and video services. We believe that our exclusive and specialized focus on small telecommunications markets is unique in the industry.

We research and select promising market regions; enter those markets using our community development public relations process; and design and implement region specific development plans using our integrated and comprehensive business systems for managing small community developments. We have identified the McLeodUSA Dakotas operation as perfectly tailored to our small community philosophy.

At PrairieWave, our goal is to bring the new world of bundled broadband communications services to our small community markets.

Our strategy is to provide our customers with a lower priced, higher quality communications service alternative to the incumbent local exchange carriers and cable providers. We expect to (1) gain significant market share by using our lower cost structure to reduce prices and offering the personal sales and customer service important in smaller communities; (2) preserve our market share against competitive responses through service bundling, cross product discounting, single source customer service and single point billing; and (3) extend our market position through service innovations such as video conferencing, video on demand, application service hosting, and other service offerings not technically possible over the incumbents' existing facilities.

Our approach is best summarized in our Mission Statement:

"Our mission is to improve the quality of life for our customers and their communities. We do this by bringing reasonably priced advanced communications services to their homes and businesses and by using these services to support the economic development of their communities."

**PrairieWave Management.** The following tables summarize the PrairieWave management team as of April 30, 2002.

### PrairieWave Communications, Inc.

<u>Name</u>	<u>Position</u>
Craig A. Anderson	Director, Chairman & CEO
Timothy F. Jaeger	Director, President & CFO
Tracy T. Larsen	Director, General Counsel, and Secretary
Eugene P. McCord	VP-CIO & Assistant Secretary

One unique feature of our management team is that all of these officers worked as part of the Dakota Telecommunications Group (DTG) operation prior to its acquisition by McLeodUSA. Mr. Anderson served as a Director and as President and CFO of DTG. Mr. Larsen served as DTG's corporate counsel. Messrs. Jaeger and McCord served for several years as business and administrative system consultants for DTG. Our senior management team has a deep background in the development and operation of the Dakota operation and planned and implemented most of the initial expansion in South Dakota and Minnesota.

In addition, all of Dakota's existing management will continue with the company after the transaction is complete. The result is a combination of the senior level strategic planning from PrairieWave with the existing excellent operational skills of MTD. After the transaction, the new PrairieWave management team will look like this:

### PrairieWave Communications, Inc. (Post-Closing)

<u>Name</u>	<u>Position</u>
Craig A. Anderson	Director, Chairman & CEO
Timothy F. Jaeger	Director, President & CFO
Tracy T. Larsen	Director, General Counsel, and Secretary
Eugene P. McCord	VP-CIO & Assistant Secretary
Brent R. Norgaard	VP-Chief Operating Officer
William Heaston	VP-Corporate Counsel
Jerry P. Anderson	Network Operations Manager
Kelly Kuyper	Customer Service Manager
Charlynn Hay	Controller



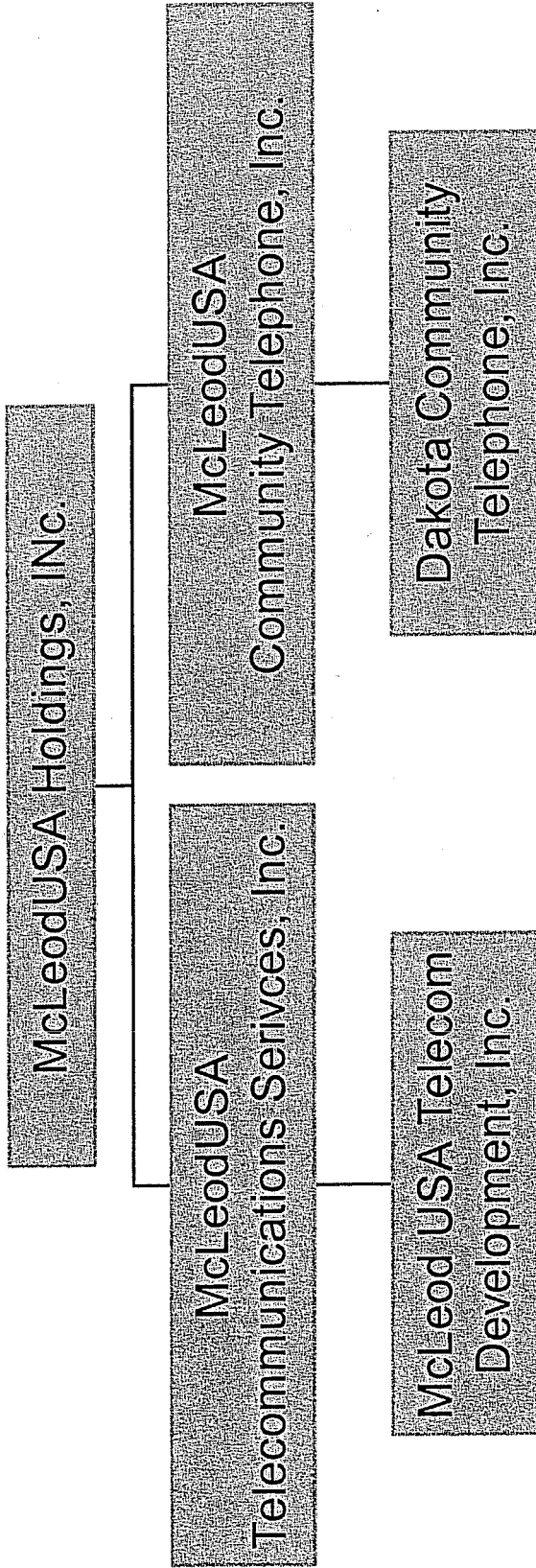
**EXHIBIT**  
D  
8-12-02 *EB*

**Exhibit D**

**Corporate Structure  
Before and After**

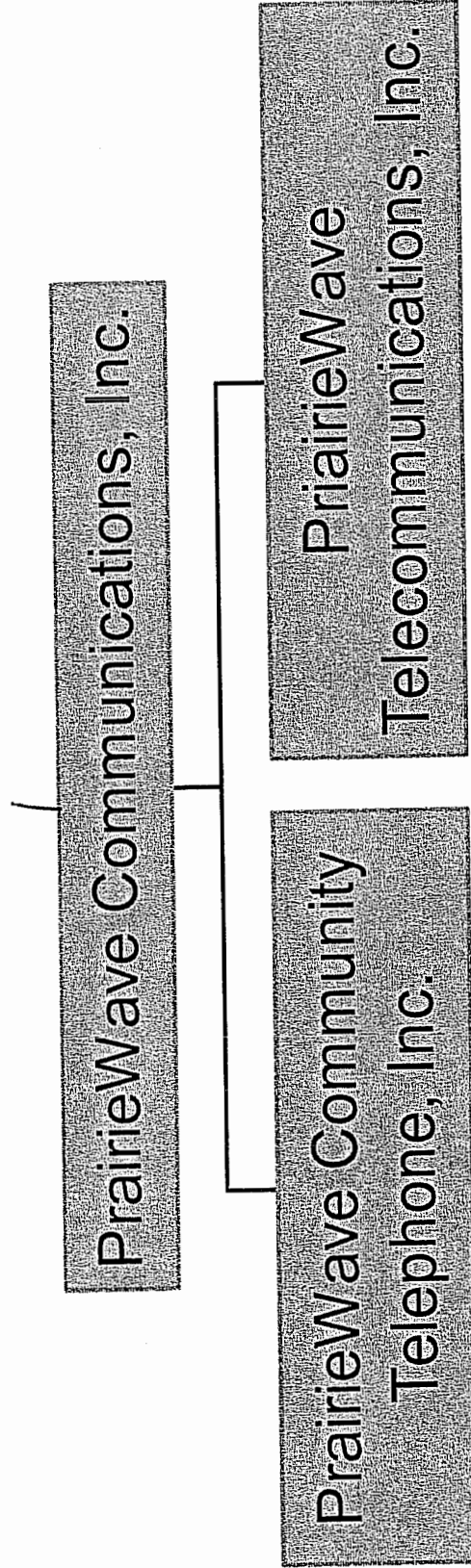
# Petitioner Organization

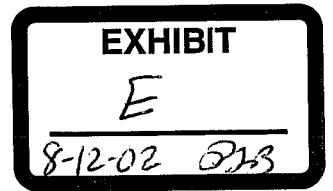
(Before Transaction)



# Petitioner Organization

(After Transaction)





**Exhibit E**

**Dakota Community Telephone, Inc.  
Relevant Documents**

McLeodUSA®

November 8, 2000

Mr. William Bullard, Jr.  
Executive Director  
South Dakota Public Utilities Commission  
500 East Capitol Avenue  
Pierre, SD 57501-5070

Dear Mr. Bullard:

This letter is to provide you with information as to name changes for DTG Community Telephone, Inc., Dakota Telecom, Inc., and DTG Communications, Inc. I am also enclosing copies of relevant documents.

DTG Community Telephone, Inc. has had its name changed to Dakota Community Telephone, Inc. Dakota Telecom, Inc. is changed to McLeodUSA Telecom Development, Inc. And, DTG Communications, Inc. was dissolved and liquidated into McLeodUSA Telecommunications Services, Inc.

Sincerely,



Barbara E. Berkenpas  
Regional Counsel  
McLeodUSA  
PO Box 66  
Irene, SD 57037-0066  
605-263-7213

**RECEIVED**

**NOV 13 2000**

**SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION**

# State of South Dakota



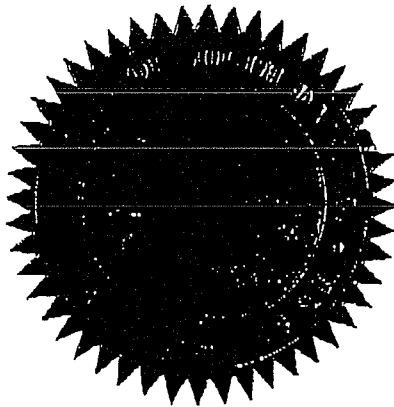
## OFFICE OF THE SECRETARY OF STATE

### Certificate of Amendment

I, **JOYCE HAZELTINE**, Secretary of State of the State of South Dakota, hereby certify that duplicate of the Articles of Amendment to the Articles of Incorporation of **DTG COMMUNITY TELEPHONE, INC.** changing its name to **DAKOTA COMMUNITY TELEPHONE, INC.** duly signed and verified pursuant to the provisions of the South Dakota Corporation Acts, have been received in this office and are found to conform to law.

**ACCORDINGLY** and by virtue of the authority vested in me by law, I hereby issue this Certificate of Amendment to the Articles of Incorporation and attach hereto a duplicate of the Articles of Amendment.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this October 25, 2000.



**Joyce Hazeltine**  
Secretary of State

RETURN TO  
SECRETARY OF STATE  
STATE CAPITOL  
500 E. CAPITOL  
PIERRE, S.D. 57501  
605-773-4845

*Filed 10/25/00*  
*257*  
*Oct 25 2000*  
*[Signature]*

RECEIVED  
OCT 25 2000  
S.D. SEC. OF STATE

**ARTICLES OF AMENDMENT  
TO THE  
ARTICLES OF INCORPORATION**

Pursuant to the provisions of SDCL 47-2-9, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation:

1. The name of the corporation is DTG Community Telephone, Inc.
2. The following amendment of the Articles of Incorporation was adopted by the shareholders of the corporation on October 3, 2000, in the manner prescribed by the South Dakota Corporation Acts:

**ARTICLE ONE  
NAME**

The name of the corporation is Dakota Community Telephone, Inc.

3. The number of shares of the corporation outstanding at the time of such amendment was 1,000.
4. The designation and number of outstanding shares of each class entitled to vote thereon as a class were as follows:

Class: Common	Number of Shares: 1,000
---------------	-------------------------

5. The number of shares voted for such amendment was 1,000. The number of shares voted against such amendment was 0. The number of shares of each class entitled to vote thereon as a class voted for and against such amendment was:

Class: Common	Number of Shares:
	For: 1,000      Against: 0

Dated: October 3, 2000.

Dakota Community Telephone, Inc.

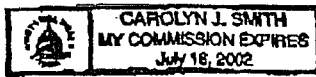
By: *Randall Rings*  
Randall Rings  
Vice President and Secretary

State of Iowa )  
 )ss:  
County of Linn )

On this 3rd day of October, 2000, before me, a Notary Public, personally appeared Randall Rings, known to me, or proved to me, to be the Vice President and Secretary of the corporation that is described in and that executed the within instrument and acknowledged to me that such corporation executed same.

7/16/02  
My Commission Expires

Carolyn J. Smith  
Notary Public



Notarial Seal

An ORIGINAL and ONE EXACT COPY of the Articles of Amendment must be submitted.



RETURN TO  
SECRETARY OF STATE  
STATE CAPITOL  
500 E. CAPITOL  
PIERRE, S.D. 57501  
605-773-4845

**ARTICLES OF AMENDMENT  
TO THE  
ARTICLES OF INCORPORATION**

---

Pursuant to the provisions of SDCL 47-2-9, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation:

1. The name of the corporation is DTG Community Telephone, Inc.
2. The following amendment of the Articles of Incorporation was adopted by the shareholders of the corporation on October 3, 2000, in the manner prescribed by the South Dakota Corporation Acts:

**ARTICLE ONE  
NAME**

The name of the corporation is Dakota Community Telephone, Inc.

3. The number of shares voted for such amendment was: 100% of the Sole Shareholder in favor of the amendment.

Dated: October 3, 2000.

Dakota Community Telephone, Inc.

By:   
\_\_\_\_\_  
Randall Rings  
Vice President and Secretary

**DTG Community Telephone, Inc.  
Joint Unanimous Written Consent  
of Sole Shareholder and Board of Directors**

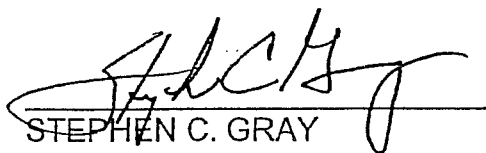
The undersigned, being the Sole Shareholder and all of the Directors of DTG Community Telephone, Inc., a South Dakota corporation (the "Company"), hereby consent, pursuant to Sections 47-4-4 and 47-5-11 of the South Dakota Code, to the adoption of the following resolution:

**RESOLVED**, that the Company's Articles of Incorporation be, and hereby are, amended to replace ARTICLE I, The Name of the Corporation, to read in its entirety as follows:

**Article I. Name.** The name of the corporation is Dakota Community Telephone, Inc.

**IN WITNESS WHEREOF**, the undersigned has caused this Joint Unanimous Written Consent to be executed effective the 3<sup>rd</sup> day of October, 2000.

Dakota Telecommunications Group, Inc.  
Sole Shareholder

  
\_\_\_\_\_  
STEPHEN C. GRAY  
Director

BY:   
\_\_\_\_\_  
RANDALL RINGS  
Its Vice President and Secretary

# SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

## CERTIFICATE OF AUTHORITY

To Conduct Business As A Telecommunications Company  
Within The State Of South Dakota

Authority was Granted June 11, 1998  
Docket No. TC97-164

*This is to certify that*

**DTG COMMUNITY TELEPHONE, INC.**

*is authorized to provide telecommunications services in South Dakota.*

This certificate is issued in accordance with SDCL 49-31-3 and ARSD 20:10:24:02, and is subject to all of the conditions and limitations contained in the rules and statutes governing its conduct of offering telecommunications services.

Dated at Pierre, South Dakota, this 19<sup>th</sup> day of June, 1998.

**SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION:**



*James A. Burg*  
\_\_\_\_\_  
JAMES A. BURG, Chairman

*Pam Nelson*  
\_\_\_\_\_  
PAM NELSON, Commissioner

*Laska Schoenfelder*  
\_\_\_\_\_  
LASKA SCHOENFELDER, Commissioner

# State of South Dakota



## OFFICE OF THE SECRETARY OF STATE

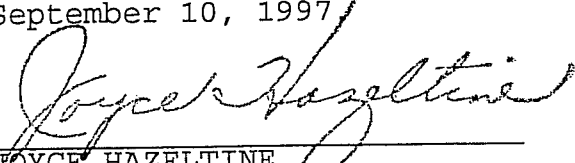
### CERTIFICATE OF INCORPORATION BUSINESS CORPORATION

I, JOYCE HAZELTINE, Secretary of State of the State of South Dakota, hereby certify that the Articles of Incorporation of DTG COMMUNITY TELEPHONE, INC. duly signed and verified, pursuant to the provisions of the South Dakota Business Corporation Act, have been received in this office and are found to conform to law.

ACCORDINGLY and by virtue of the authority vested in me by law, I hereby issue this Certificate of Incorporation and attach hereto a duplicate of the Articles of Incorporation of DTG COMMUNITY TELEPHONE, INC.



IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this September 10, 1997.

  
JOYCE HAZELTINE  
Secretary of State

**SOUTH DAKOTA PUBLIC UTILITIES COMMISSION**

**CERTIFICATE OF AUTHORITY  
To Conduct Business As A Telecommunications Company  
Within The State Of South Dakota**

Authority was Granted 07/03/84  
Docket #: F-8290

This is to certify that

**Dakota Cooperative Telecommunications**

is authorized to provide telecommunications services in South Dakota.

This certificate is issued in accordance with SDCL 49-31-3 and ARSD 20:10:24:02, and is subject to all of the conditions and limitations contained in the rules and statutes governing its conduct of offering telecommunications services.

Dated at Pierre, South Dakota, this 21<sup>st</sup> day of June, 1992.

**SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION:**



*James A. Burg*  
\_\_\_\_\_  
JAMES A. BURG, Chairman

*Kenneth Stofferahn*  
\_\_\_\_\_  
KENNETH STOFFERAHN, Commissioner

*Laska Schøenfelder*  
\_\_\_\_\_  
LASKA SCHØENFELDER, Commissioner

# STATE OF SOUTH DAKOTA



## OFFICE OF THE SECRETARY OF STATE

### Certificate of Amendment

I, ALICE KUNDERT, Secretary of State of the State of South Dakota, hereby certify that duplicate originals of Amendment to Articles of Incorporation of . . . . . DAKOTA COOPERATIVE TELEPHONE COMPANY, INC. . . . . duly signed and verified pursuant to the provisions of the South Dakota corporation acts, have been received in this office and are found to conform to law.

ACCORDINGLY and by virtue of the authority vested in me by law, I hereby issue this Certificate of Amendment to the Articles of Incorporation of . . . . . DAKOTA COOPERATIVE TELEPHONE COMPANY, INC. changing name to: . . . DAKOTA . . . . . COOPERATIVE TELECOMMUNICATIONS, INC. . . . . and attach hereto a duplicate original of the Amendment.



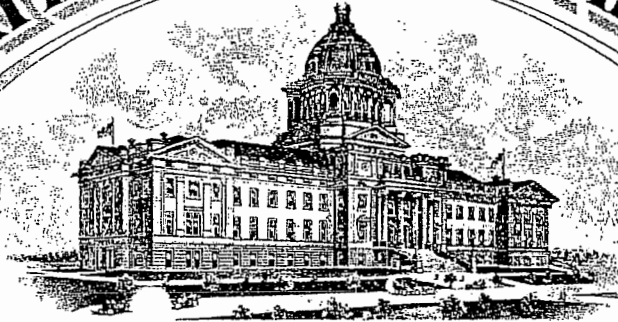
IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this . . . . . 14th . . . . . day of

May . . . . . A.D. 19. 79

*Alice Kundert*  
Secretary of State

Deputy

# STATE OF SOUTH DAKOTA



## DEPARTMENT OF STATE

United States of America, }  
State of South Dakota, } Secretary's Office

*This is to certify that the attached instrument of writing is a true, correct and examined copy of*  
Articles of Incorporation

of

Dakota Cooperative Telephone Company, Inc.

*and the whole thereof, and has been carefully compared with the original now on file in this office and found correct.*

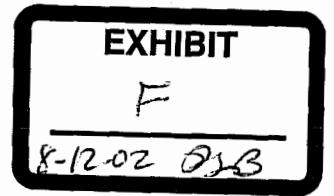
*The within document, book, instrument, paper or law shall not be received in evidence in any court of this state unless this certificate is countersigned by the state treasurer with a statement of the fees received.*

In Testimony Whereof, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at the City of Pierre, the Capital, on this \_\_\_\_\_ day of April 19\_\_

*Geraldine Ostrom*

Secretary of State.

FEES, \$ 1.00  
COUNTERSIGNED BY



**Exhibit F**

**McLeodUSA Telecom Development, Inc.  
Relevant Documents**



McLeodUSA®

November 8, 2000

Mr. William Bullard, Jr.  
Executive Director  
South Dakota Public Utilities Commission  
500 East Capitol Avenue  
Pierre, SD 57501-5070

Dear Mr. Bullard:

This letter is to provide you with information as to name changes for DTG Community Telephone, Inc., Dakota Telecom, Inc., and DTG Communications, Inc. I am also enclosing copies of relevant documents.

DTG Community Telephone, Inc. has had its name changed to Dakota Community Telephone, Inc. Dakota Telecom, Inc. is changed to McLeodUSA Telecom Development, Inc. And, DTG Communications, Inc. was dissolved and liquidated into McLeodUSA Telecommunications Services, Inc.

Sincerely,



Barbara E. Berkenpas  
Regional Counsel  
McLeodUSA  
PO Box 66  
Irene, SD 57037-0066  
605-263-7213

**RECEIVED**

**NOV 13 2000**

**SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION**

# State of South Dakota



## OFFICE OF THE SECRETARY OF STATE

### Certificate of Amendment

I, **JOYCE HAZELTINE**, Secretary of State of the State of South Dakota, hereby certify that duplicate of the Articles of Amendment to the Articles of Incorporation of **DAKOTA TELECOM, INC.** changing its name to **MCLEODUSA TELECOM DEVELOPMENT, INC.** duly signed and verified pursuant to the provisions of the South Dakota Corporation Acts, have been received in this office and are found to conform to law.

**ACCORDINGLY** and by virtue of the authority vested in me by law, I hereby issue this Certificate of Amendment to the Articles of Incorporation and attach hereto a duplicate of the Articles of Amendment.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this October 25, 2000.



Joyce Hazeltine  
Secretary of State

RETURN TO  
SECRETARY OF STATE  
STATE CAPITOL  
500 E. CAPITOL  
PIERRE, S.D. 57501  
605-773-4845

**ARTICLES OF AMENDMENT  
TO THE  
ARTICLES OF INCORPORATION**

---

Pursuant to the provisions of SDCL 47-2-9, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation:

1. The name of the corporation is Dakota Telecom, Inc.
2. The following amendment of the Articles of Incorporation was adopted by the shareholders of the corporation on October 3, 2000, in the manner prescribed by the South Dakota Corporation Acts.

**ARTICLE ONE  
NAME**


The name of the corporation is McLeodUSA Telecom Development, Inc.

3. The number of shares voted for such amendment was: 100% of the Sole Shareholder in favor of the amendment.

Dated: October 3, 2000.

McLeodUSA Telecom Development, Inc.

By:



Randall Rings  
Vice President and Secretary

**Dakota Telecom, Inc.**  
**Joint Unanimous Written Consent**  
**of Sole Shareholder and Board of Directors**


The undersigned, being the Sole Shareholder and all of the Directors of Dakota Telecom, Inc., a South Dakota corporation (the "Company"), hereby consent, pursuant to Sections 47-4-4 and 47-5-11 of the South Dakota Code, to the adoption of the following resolution:


**RESOLVED**, that the Company's Articles of Incorporation be, and hereby are, amended to replace ARTICLE I, The Name of the Corporation, to read in its entirety as follows:

**Article I. Name.** The name of the corporation is  
McLeodUSA Telecom Development, Inc.

**IN WITNESS WHEREOF**, the undersigned has caused this Joint Unanimous Written Consent to be executed effective the 3<sup>rd</sup> day of October, 2000.

Dakota Telecommunications Group, Inc.  
Sole Shareholder

  
\_\_\_\_\_  
STEPHEN C. GRAY  
Director

BY:   
\_\_\_\_\_  
RANDALL RINGS  
Its Vice President and Secretary

# SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

## CERTIFICATE OF AUTHORITY

To Conduct Business As A Telecommunications Company  
Within The State Of South Dakota as authorized by the Final Order  
and Decision Granting a Certificate of Authority dated 10/22/96

Authority was Granted October 3, 1996  
Docket No. TC96-050

*This is to certify that*

**DAKOTA TELECOM, INC.**

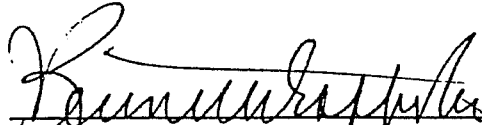
*is authorized to provide telecommunications services in South Dakota.*

This certificate is issued in accordance with SDCL 49-31-3 and ARSD  
20:10:24:02, and is subject to all of the conditions and limitations contained in  
the rules and statutes governing its conduct of offering telecommunications  
services.

Dated at Pierre, South Dakota, this 22nd day of October, 1996.

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION:



  
KENNETH STOFFERAHN, Chairman

  
JAMES A. BURG, Commissioner

  
LASKA SCHOENFELDER, Commissioner

# STATE OF SOUTH DAKOTA



## OFFICE OF THE SECRETARY OF STATE

### Certificate Of Incorporation Business Corporation

I, ALICE KUNDERT, Secretary of State of the State of South Dakota, hereby certify that duplicate originals of the Articles of Incorporation of .....  
DAKOTA TELECOM, INC. ....  
duly signed and verified, pursuant to the provisions of the South Dakota Business Corporation Act, have been received in this office and are found to conform to law.

ACCORDINGLY and by virtue of the authority vested in me by law, I hereby issue this Certificate of Incorporation  
of ... DAKOTA TELECOM, INC. ....  
.....

and attach hereto a duplicate original of the articles of Incorporation.

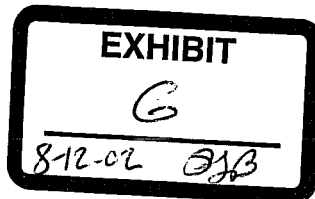


IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this ..... 19th ..... day of

September ..... A.D. 19 83, ...

*Alice Kundert*  
Secretary of State

Exhibit G



South Dakota Communities

Incumbent Local Exchange Carrier	Competitive Local Exchange Carrier
Alsen	Canton
Beresford Rural	Centerville
Chancellor	Colman
Flyger	Elk Point
Gayville	Flandreau
Hurley	Harrisburg
Irene	Madison
Lennox	North Sioux City
Monroe	Tea
Parker	Viborg
Volin	Watertown
Wakonda	Yankton
Worthing	

DAVIS (Ancient Approach)

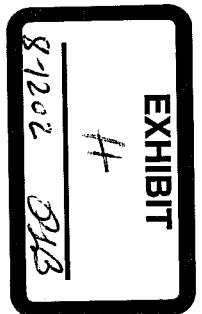
**McLeodUSA<sup>®</sup>**

5100 S. McLEOD LANE  
SIOUX FALLS, SD 57108

**Exhibit H**

**PrairieWave Communications  
Financial Information**

**Proprietary and Confidential**





**PrairieWave Communications, Inc.**  
**Pro-Forma Initial Balance Sheet**

<b>Assets</b>			
<b>Current Assets:</b>			
<i>Cash in Bank</i>	\$	3,380,380	
<i>Net Accounts Receivable</i>		4,144,860	
<i>Other Current Assets</i>		10,474,295	
<b>Total Current Assets</b>		\$	<b>17,999,536</b>
<b>Property, Plant &amp; Equipment:</b>			
<i>Gross Property Plant &amp; Equipment</i>	\$	201,375,729	
<i>Excess of Cost and Accumulated Depreciation over FMV</i>		(117,375,729)	
<b>Net Property &amp; Equipment</b>		\$	<b>84,000,000</b>
<b>Other Assets</b>			
<i>Deposits and other Assets</i>	\$	865,000	
<b>Total Other Assets</b>		\$	<b>865,000</b>
<b>Total Assets</b>		\$	<b>102,864,536</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities:</b>			
<i>Accounts Payable Trade</i>	\$	1,434,774	
<i>Accounts Payable Other</i>		1,212,321	
<i>Other Current Liabilities</i>		1,852,062	
<i>Deferred Fees and Costs</i>		500,000	
<i>Short Term Portion of Debt</i>		865,000	
<b>Total Current Liabilities</b>		\$	<b>5,864,156</b>
<b>Other Liabilities:</b>			
<i>Long Term Debt</i>	\$	61,000,000	
<b>Total Other Liabilities</b>		\$	<b>61,000,000</b>
<b>Total Liabilities</b>		\$	<b>66,864,156</b>
<b>Shareholders' Equity</b>			
<i>Equity Investment</i>	\$	36,000,380	
<i>Retained Earnings</i>		-	
<b>Total Stockholders' Equity</b>		\$	<b>36,000,380</b>
<b>Total Liabilities and Stockholders' Equity</b>		\$	<b>102,864,536</b>



BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE PETITION OF )  
OF DAKOTA COMMUNITY TELEPHONE, )  
INC. AND MCLEODUSA TELECOM ) Docket No.  
DEVELOPMENT, INC. FOR THE TRANSFER )  
OF ITS STOCK TO PRAIRIEWAVE )  
COMMUNICATIONS, INC. )

PETITION

Dakota Community Telephone, Inc. (“DCT”) and McLeodUSA Telecom Development, Inc. (“MTD”) (collectively, “Petitioners”), pursuant to SDCL § 49-31-59, request Commission approval of a transaction whereby the stock of the Petitioners will be acquired by PrairieWave Communications, Inc. (“PrairieWave”). PrairieWave is a Delaware corporation and its business address upon closing of the transaction will be 5100 South McLeod Lane, Sioux Falls, SD 57108, the same as the Petitioners. The contact telephone number is (605) 965-9894, fax number is (605) 965-7867, and the email address is wheaston@mcleodusa.com. In support of this Petition the following information is provided:

1. The change of ownership and control will be accomplished as described in the **confidential** Stock Purchase Agreement (“Agreement”), which is attached as Exhibit A. Confidential protection of this exhibit is requested. Contemporaneous with the closing of this transaction, Petitioners will file with the Secretary of State to change the names of DCT to PrairieWave Community Telephone, Inc. and MTD to PrairieWave Telecommunications, Inc. Both corporations are and always have been South Dakota corporations. A copy of that filing will be provided to the Commission at the time it is made. PrairieWave’s registration for the State of South Dakota is attached as Exhibit B,

and a copy of the certificate will be provided. A description of PrairieWave is attached as Exhibit C. A schematic of the corporate structure before and after the transaction is attached as Exhibit D.

2. From an historical perspective the following has occurred with regard to the Petitioners. DCT is the successor to Dakota Cooperative Telephone, Inc, later Dakota Cooperative Telecommunications, a company, in one form or another, that has been providing telephone service in South Dakota for more than 50 years. In 1998 as a part of the change in operation from a cooperative to a public company, Dakota Cooperative Telecommunications became Dakota Telecommunications Group, Inc. and the telephone operations were moved to DTG Community Telephone, Inc. DCT operates the incumbent local exchanges. Copies of relevant documents, to include Commission issued certificates, are attached at Exhibit E. MTD is the successor to Dakota Telecom, Inc., a company providing telecommunications services in South Dakota since 1996. MTD operated the competitive local exchange services. Copies of relevant documents are at Exhibit F.

3. There will be no change in the management or operation of Petitioners as a result of this transaction. Petitioners currently provide facilities-based local exchange service in the communities described in Exhibit G. The services provided are modern, state-of-the-art telecommunications services, to include broadband services using cable modems. The Petitioners, in conjunction with the University of South Dakota and the Southeast South Dakota Distance Learning Project, support a full-motion distance learning program to 13 school districts within and adjacent to its service territories, to include assistance in preparing and filing the necessary documents to qualify for federal discounts and

funding. Petitioners provide full support and connectivity to all Public Service Answering Points (“PSAPs”) within its service territories to insure the continued operation of E911 access for all customers.

4. The terms, conditions and prices for local exchange service will remain in effect, and the Petitioners access tariffs will change in name only. DCT will file its required access study prior to July 1, 2002. The rates for local service are presumed reasonable because they have been in effect for several years and are regulated under the provisions of SDCL § 49-31-5.1.

5. A **confidential** Pro forma financial statement is attached (Exhibit H) reflecting the expected results from the transaction on a consolidated basis. PrairieWave is financially supported by a number of leading telecommunications investors and bankers including Alta Communications and Bank of America as equity investors and BIA Digital Partners, GE Capital Corporation, CIT Communications, and Home Federal Bank in Sioux Falls.

6. The transfer of ownership is in the public interest. The transaction will enable the Petitioners to continue bringing modern, telecommunications services to the rural areas of South Dakota it already serves and to expand its activity to seek the same opportunities in other rural communities in Qwest Corporation’s rural exchanges in South Dakota. The Petitioners have an established record of superior customer service, a local company presence, expanded service offerings and high quality telecommunications access to the world. The management and work force has been in the telecommunications business for many years and is highly skilled and knowledgeable in providing local exchange service, long distance service, broadband and Internet services, cable TV service, and network management.

7. Considering that the Petitioners have for many years provided quality local exchange telecommunications services to its customers in South Dakota; that such quality service was and is provided by the facilities and personnel of the Petitioners; that the basic management and operation of the Petitioners will remain intact; and that any name change on a certificate of authority is necessitated only by the need to avoid infringement of intellectual property rights and to limit customer confusion, the Petitioners request that the Commission waive any requirements that may apply under the Commission's rules in 20:10:32:03, 20:10:32:06 and 20:10:32:08.

8. Petitioners will provide a comprehensive written notice to all customers of the transfer of control and the new names of the corporate and billing entities prior to and contemporaneously with the closing of the transaction.

9. Notices regarding this Petition, and any questions or requests for additional information should be made to the undersigned as indicated.

10. The parties desire to close this transaction by August 15, 2002, and respectfully request expedited action by the Commission, especially notice and conduct of any public hearing that may be deemed necessary, to enable that date to be met.

WHEREFORE the parties request the following action by the Commission:

- a. Approval of the transfer of control of Petitioners to PrairieWave;
- b. Upon notification of the closing of the transaction, a change of name on the DCT certificate to PrairieWave Community Telephone, Inc. and the MTD certificate to PrairieWave Telecommunications, Inc.;and
- c. Waiver of certain Commission rules as requested above.

Submitted this 14th day of June, 2002.



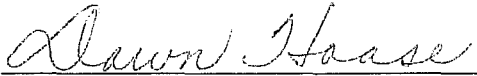
William P. Heaston  
Deputy General Counsel  
5100 South McLeod Lane  
Sioux Falls, SD 57108  
(605) 965-9894 (Telephone)  
(605) 965-7867 (Fax)  
[wheaston@mcleodusa.com](mailto:wheaston@mcleodusa.com)

**CERTIFICATE OF SERVICE**

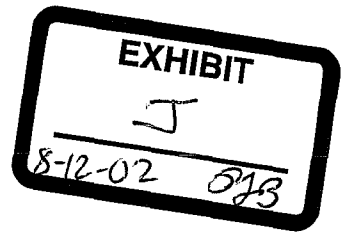
I, Dawn Haase, on the 14<sup>th</sup> day of June, 2002, served the attached APPLICATION FOR TRANSFER OF CONTROL by U. S. mail to all persons at the addresses indicated below.

Qwest Corporation  
Colleen Sevoid  
125 South Dakota Avenue  
Sioux Falls, SD 57194

Fort Randall Telephone Company  
Bruce Hanson, General Manager  
909 Wilmar Avenue SW  
Wilmar, MN 56201

  
Dawn Haase  
Dawn Haase

**McLeodUSA®**  
July 3, 2002



Harlan Best  
Utility Analyst  
South Dakota Public Utilities Commission  
State Capitol Building  
500 East Capitol Avenue  
Pierre, SD 57501-5070

RE: PrairieWave Communications, Inc. Purchase, TC02-062

Dear Mr. Best:

This is in response to your letter dated June 24, 2002. While I am still not sure that the Commission's jurisdiction reaches this transaction, in the interest of being able to close this transaction in a timely manner, we will cooperate with the Commission and the staff to provide whatever information is relevant and necessary. The response to your first question is in attached confidential Exhibit A-1. However, after the transaction closes and we calculate the final pricing adjustment and set the initial asset values, we will be happy to provide the Commission with our supporting calculations.

As to your second question, I believe we had this same discussion almost two years ago when we changed the names of DTG Community Telephone, Inc. to Dakota Community Telephone, Inc., and the name of Dakota Telecom, Inc. to McLeodUSA Telecom Development, Inc., and it was decided that ARSD 20:10:32:03 did not apply. Like the original sale of DTG to McLeodUSA, which closed on March 5, 1999, nothing is changing in either of the existing corporations as to the financial, technical and managerial ability of the companies to provide the same excellent local exchange telecommunications services they have been providing for many years. The corporation entities are not changing, only the name will be changed with the Secretary of State. They are the same corporate entities that were originally Dakota Cooperative Telecommunications, Inc. and Dakota Telecom, Inc., at the time McLeodUSA purchased them. In any event, the rules in 20:10:32:03 do not apply to Dakota Community Telephone, Inc. That company is a rural incumbent local exchange company and not a competitive local exchange company. The rules do not apply to MTD, as it is already certificated by the Commission to provide local exchange service. What we have agreed to operate under in this transaction is SDCL § 49-31-59, for which it appears there are no implementing Commission rules and regulations. Again however, in the interest of completing this process as quickly as possible the following update information, for informational purposes only, is provided as to the competitive company McLeodUSA Telecom Development Inc. ("MTD"):

(1) The applicant's name is McLeodUSA Telecom Development, Inc. (MTD). The address is 5100 South McLeod Lane, Sioux Falls, SD 57108. The telephone number is (605) 965-9393. The fax number is (605) 965-7867. The applicant is a South Dakota corporation.

(2) The corporate officers for MTD are Stephen C. Gray, President and sole director; Chris A. Davis, Chief Operating and Financial Officer; Joseph H. Ceryanec, Vice President and



Treasurer; Janice Hester, Assistant Treasurer; Randall Rings, Vice President and Secretary; and David R. Conn, Assistant Secretary.

(3) See (1) above.

(4) (a) See (1) above, the registered agent is William P. Heaston.

(b) MTD is 100% owned by McLeodUSA Telecommunications Services, Inc. See Exhibit F to the June 20, 2000 Application for Transfer ("Application").

(c) See Exhibit F of Application.

(d) Not applicable (N/A).

(5) See Exhibit G to Application. The applicant also has domestic 214 authority from the FCC.

(6) The applicant has no affiliates or subsidiaries. The parent for MTD is McLeodUSA Telecommunications Services, Inc., an Iowa corporation, located at 6400 C Street SW, Cedar Rapids, Iowa 52406.

(7) (a) MTD provides single and multiline residential and business local exchange service, long distance service, dedicated (private line) service, and switched and special access..

(b) Applicant provides all services through its own facilities.

(c) Applicant operates a full 5E Lucent switch in Viborg, SD, with remote switches in Madison, Watertown, and Yankton. The remaining MTD exchanges listed in Exhibit G of the Application have digital carrier facilities. All switching facilities, remotes, carrier systems, and customers are connected by MTD's own fiber, coaxial and copper cable facilities. There are facilities for local and long distance traffic to the Qwest tandem and the SDN facilities in Sioux Falls.

(d) N/A, already providing residential and business local exchange service..

(8) See Exhibit G to the Application.

(9) (a) See attached Exhibit B-1 for the qualifications of existing management.

(b) The applicant is already performing all necessary customer care functions and has for several years from its customer service facility in Viborg, SD.

(10) Applicant is already providing these services and has for many years. See the response to paragraph 3.d, below, as to 911/E911 services. MTD has its own operator and directory assistance services platform. Interexchange services are a customer's decision. MTD connects to more than 40 carrier PICs and offers its own resold long distance services.

(11) (a) See confidential Exhibit C-1 for financial information, including and income statement and balance sheet. There is no cash flow statement available. The exhibit is an

estimate because MTD also provides cable television services and those operations were backed out of the exhibit based on estimates. Note also that this exhibit is based on GAAP financial accounting and reporting according to McLeodUSA's corporate accounting, not Part 32 accounting (or the related separations and allocation regulations). There is a big difference, and any attempt to use this for regulatory analysis without significant modification (as in a formal cost study) cannot be done.

(b) The 10K for McLeodUSA, including the applicant is at the SEC's Edgar website. A separate electronic copy can be provided, if necessary.

(12) (a) MTD interconnects by agreements on file with and approved by the Commission with Qwest Corporation, and Ft. Randall Telephone Company.

(b) N/A

(c) N/A

(13) A price description for MTD is attached as Exhibit D-1. The MTD access tariff is on file and approved by the Commission.

(14) N/A, MTD has less than 50,000 local exchange subscribers in the state.

(15) The target markets are all residential and business local exchange customers in the MTD exchanges listed in Exhibit G to the Application.

(16) N/A, MTD received its certificate prior to January 1, 1998.

(17) MTD is registered and certificated to provide service in Minnesota. MTD has not been denied a certificate in any state for any reason.

(18) MTD customer complaints and other regulatory inquiries can be made to William P. Heaston, (605) 965-9894 (telephone), (605) 965-7867 (fax), [wheaston@mcleodusa.com](mailto:wheaston@mcleodusa.com) (email); Patrick Mastel, (605) 965-9359 (telephone), (605) 965-7867 (fax), [pmastel@mcleodusa.com](mailto:pmastel@mcleodusa.com) (email); and Dawn Haase, (605) 965-9368 (telephone), (605) 965-7867 (fax), and [dhaase@mcleodusa.com](mailto:dhaase@mcleodusa.com). The general number for all customer inquiries or complaints is (877) 633-4567.

(19) MTD bills and collects on a monthly basis using paper bills mailed to the customer for its services in the same manner it has for the past five years. The bills are currently branded McLeodUSA.

(20) MTD complies with all federal and state rules regarding the authorized switching of local exchange and long distance customers. No customer is provided service without a signed letter of authority, no PIC freeze is instituted or removed without a signed letter of authority, and no customer is allowed to change a PIC without a signed letter of authority, third-party verification or three-way call, as applicable. MTD's dialing parity plan was approved by the Commission in Docket No. 99-030.

(21) No slamming complaints have been filed against MTD in any state.

(22) N/A, this is for informational purposes only. MTD already has a certificate to provide local exchange service.

(23) The Federal Tax ID # for MTD is 46-0374235, which is the same number Dakota Telecom Inc. had since 1983, and will be the same number that PrairieWave Telecommunications will have when the sale closes.

In response to paragraph 3 of the letter, PrairieWave Communications, Inc. provides the following information not otherwise provided in the Application:

a. A review of the financial documents provided with the Application and this letter, it is clear that the purchaser has the financial wherewithall to not only operate the exchanges in their current configuration, but to invest in technology and acquire additional customers in the rural areas where these companies now serve. McLeodUSA, as a part of its restructuring of the company in the past year, made the determination that DCT and MTD no longer fit into the core business of McLeodUSA. What obviously flows from that business decision is that these companies will not receive the investment and attention beyond that necessary to maintain the operation in its current mode of operation. There is no incentive for additional investment in new technology for the rural customer or to expand the service and benefits of a competitive rural provider to additional areas of South Dakota. This purchase will enable these companies to grow, to grow the rural communities where they provide service, and to give the rural customer access to the latest in telecommunications services.

b. Refer to a. above. These companies need to be operated by investors and managers who are dedicated to providing service to rural customers using the companies' own facilities. The approval of this sale is the only way that will happen.

c. Local service rates will not change when this sale is approved. The companies will continue to provide quality service at affordable prices. The companies will be in better financial shape than currently, and the revenue from these companies will be used to grow and upgrade the facilities and services provided.

d. The companies have been providing 911 service to the PSAPs in the exchanges served from the very beginning. We provide dedicated, redundant connections between the PSAPs and our facilities, the databases, and any third-party routers. We work closely with the emergency service providers to ensure that service is operational at all times. With the exception of Union County (Elk Point), where the county has not been able to invest in the necessary technology, we provide E911 service.

e. See d., above.

f. Wherever the companies provide telephone service they usually provide cable television services. Those services have a modern Emergency Alert System, which is currently being upgraded to meet new standards effective October 1, 2002.

g. All taxes will be paid as required by law. Attached as Exhibit E-1 is a list of the state taxes that are paid and will continue to be paid.

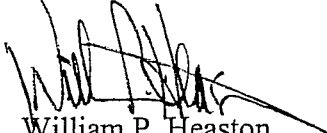
h. The companies will continue to provide modern, state-of-the-art facilities and services throughout its service territories as it has done for many years now. Significant construction and modernization of switching and transport facilities has occurred over the past five years. The 5E switch was installed and has the latest software upgrades. Over 750 miles of fiber cable has been added to the network, and this transaction will add another 440 miles of fiber plant mainly in SONET ring technology to insure diverse routing for most customers. Diverse routing has been created through fiber rings and work continues on augmenting that technology. We initiated broadband deployment through our cable modems and expect to also deploy DSL technology where technically and financially feasible. We have our own Internet provider that provides Internet access through dial-up, cable modem and a test wireless product. As we explained in paragraph 3 of the Application, we have the best distance learning product in the state and work with all of the local schools in our service territory to provide that service consistent with federal funding programs. Finally, we work with the local medical facilities to provide affordable connectivity to host medical facilities in Sioux Falls and elsewhere. With the close of this transaction, we will be better able to pursue the newer technologies and to fund those that provide quality service regardless of the customer's needs.

Some of the information provided is considered trade secret not suitable for public disclosure and subject to the provisions of Commission rules. In that regard, under ARSD § 20:10:01:41, confidential treatment of those documents so marked is requested as follows:

1. The financial information provided in Exhibits A-1 and C-1, and the pricing plans in Exhibit D-1 are considered trade secret and confidential under SDCL Chapter 37-29. Protection of this information is necessary for two years, or sooner if the company agrees that it is out-of-date and protection is not necessary.
2. Person to be contacted regarding this information is the undersigned.
3. The documents are trade secret because they are a method or process developed by the company that is not generally known, is commercially and competitively sensitive, is protected by the company as trade secret, and which cannot be ascertained by others in the normal course of business. The information has value to competitors in determining strategies for markets, market pricing, bundling of services, and the general financial condition of the company.

If you have any questions or have need of additional information, please contact me.

Sincerely,



William P. Heaston  
Deputy General Counsel

cc: Karen Cremer

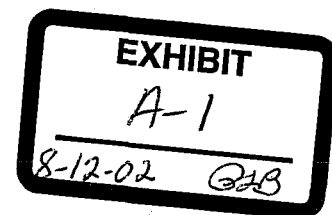


Exhibit A-1  
TC02-062

The following responds to paragraph 1, Purchase Price, of the letter from Harlan Best, Utility Analyst, dated June 24, 2002:

1.a. The Purchase Price will be allocated among the assets and liabilities of the three entities in accordance with the Purchase Accounting rules under GAAP. The exact allocations are unknown at this time since they depend on (1) final Fair Market Value asset appraisals currently underway, (2) the amount of liabilities assumed, (3) the amount of face value assets acquired (such as cash, securities, Accounts Receivables), (4) final resolution of the appropriate reserves for uncollectible accounts (perhaps an issue given the status of MCI/WorldCom and Qwest, both major switched access customers), (5) final determination of the intercompany payables to be cancelled by McLeodUSA at the closing, (6) final agreement with McLeodUSA on asset value allocations as required by the Stock Purchase Agreement, and (7) the final working capital adjustment to the purchase price under the price adjustment terms of the Stock Purchase Agreement.

1.b. \$61,865,000 will be funded by long term debt. \$36,000,380 will be funded by equity. These funds are formally committed regardless of any change in pricing under the Stock Purchase Agreement.

1.c. All of the debt and equity investment will be funded into the parent companies. No debt will be allocated under GAAP to the two operating entities. Using GAAP accounting, the wholly owned operating entities will show only intercompany equity accounts from their common parent company.

1.d. Because of the mandatory conversion of McLeodUSA's intercompany accounts into equity under the Stock Purchase Agreement and the other contingencies noted in 1.a., above, it is not possible to know with certainty whether the Purchase Price will be above or below "book value" for GAAP purposes. The Pro Forma Balance Sheet assumes that the "book value" of the assets will exceed the Purchase Price under current GAAP purchase accounting.

1.e. To the extent that the Purchase Price is above "book value," the excess would be allocated in accordance with the purchase method of accounting. In general, any "excess" would first be allocated to increase the amount of any assets determined to have a "book value" below fair market value; the balance would be treated as Goodwill and tested each year under the new valuation rules. Because of the relatively new nature of most of the assets, we do not anticipate that the value of any assets involved in the rate setting process would be affected under either the GAAP rules or the FCC Part 32 rules. We essentially believe that "book value" equals "fair market value." Therefore, we expect no difference in costs and expenses for rate setting purposes. In fact, PrairieWave will not increase or otherwise change switched access, toll or local exchange rates as a result of this transaction regardless of the final Purchase Price allocation.

1.f. For the reasons outlined in 1.a., this is currently impossible and will not be possible until after the close.

**EXHIBIT**  
*B-1*  

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*8-12-02 GAB*

**Exhibit B-1**  
**TC02-062**

**Management Resumes**

**PrairieWave Communications, Inc.**  
**Executive Management**

**Craig A. Anderson**

**Chief Executive Officer & Chairman of the Board**

Craig Anderson (age 46) is a founding stockholder and director of the Company and serves as the Chairman and Chief Executive Officer. Mr. Anderson also serves as a director of professional Direct Insurance Company and Natural Gas Compression Systems, Inc., a Michigan corporation specializing in gas field compression services. From September 1996 to August 1999, Mr. Anderson served as a director and in a number of senior management positions for Dakota Telecommunications Group, Inc. ("DTG"), a wholly-owned subsidiary of McLeodUSA ("MCLD"), including serving as Vice President of McLeodUSA from March 1999 to August 1999 and as President and CFO of DTG from April 1998 to August 1999. He also served as Executive Vice President and CFO of DTG from January 1, 1997 to April 1998 and as Vice President-Marketing and CFO from September of 1996 to January 1, 1997. While at DTG, Mr. Anderson planned and executed the conversion of DTG from a small telephone cooperative to a public Delaware corporation with over 12,000 stockholders. He was responsible for the company's public relations, marketing and financial operations as well as overall strategic planning and business combination negotiations. He also served as a director and President/CFO of DTG's Internet, Data Networking, Cable Television, Wireless, and Long Distance subsidiaries. DTG pioneered the small community facilities overbuild strategy in the upper Midwest, increasing annual revenues from \$8.1 million in 1996 to \$32 million in 1998, building up its subscriber base from approximately 7,000 to over 32,000 customers and growing the employee base from 30 to over 200. From January of 1994 until September of 1996, Mr. Anderson acted as an independent telecommunications business consultant. Prior to that time, Mr. Anderson held a variety of senior executive level positions at various companies including The Austad Company (a golf equipment catalog company that is now part of Hannover Direct), DialNet, Inc. (now part of MCI/Worldcom) and The Zond Corporation (a wind energy development company that is now part of Enron). DialNet was a long distance reseller ranked by Inc. magazine as the 23rd fastest growing private company in the United States in 1990. During Mr. Anderson's tenure as a director and senior financial and corporate operations officer for DialNet, sales volume increased from approximately \$10,000 per week to over \$100,000 per week, annual gross revenues increased from \$24 million to over \$96 million, and the company's operations expanded from 2 states to 49 states while its employee base grew from less than 40 to over 600 employees. Mr. Anderson developed and implemented the expansion plan that made this growth possible. DialNet was sold to LDDS (now MCI/Worldcom) in 1993. With over 20 years of senior management experience, Mr. Anderson has organized and supervised most telecommunications company functions including strategic planning, finance and treasury operations, mergers and acquisitions, sales and marketing, telecom switching and Internet POP operations, data networking, accounting and MIS, legal and regulatory affairs and general administration. He holds a BA degree in Accounting, Business Administration, and Economics from Augustana College (Sioux Falls, SD) and an MBA and a Masters Degree in Professional Accountancy from the University of South Dakota. He also holds a JD Degree from the University of Southern California. He is licensed to practice law in South Dakota, Minnesota and California and is a CPA.

**Timothy F. Jaeger**  
**Chief Financial Officer & President**

Tim Jaeger (age 43) is a founding stockholder and director of the Company and serves as our President and Chief Financial Officer. In 1995 Mr. Jaeger founded a communications industry-consulting firm that later merged into entrénet, where Mr. Jaeger served as a Partner and Managing Director. Mr. Jaeger has served in a variety of senior management roles for companies directly and through entrénet during periods of fund raising and/or business combination activities. In these roles, he has assisted in executing successful strategic corporate objectives, including equity financing, debt financing, management team development, mergers and acquisitions, and initial public offerings with total transaction values exceeding \$500 million. Mr. Jaeger worked closely with DTG in a consulting role assisting with the design and implementation of many of the systems and policies that allowed DTG to successfully implement its small community overbuild strategy. Mr. Jaeger assisted the company in developing a systematic staffing model that emphasized planning for growth and modular team building in the financial and operational areas of the company. Additionally Mr. Jaeger advised the company relative to equity financing and merger activities. From December 1993 to August 1995, Mr. Jaeger served in various senior management roles for MTC Telemanagement Corporation, a switchless reseller of long distance and related telecommunications services. During that time, MTC pioneered what later became known as the international callback industry. During Mr. Jaeger's tenure at MTC, revenues increased by over 2,500% from \$350,000 per month to nearly \$10,000,000 per month. This rapid growth was primarily due to the acceptance of international callback, an alternative access method for international long distance services that ultimately caused the rapid reduction of International long distances rates. While at MTC, Mr. Jaeger reengineered the company's accounting and reporting systems and was responsible for international business relations, financial and accounting system management, cash flow management and tracking, banking relations, Federal and State regulatory filing and other tax related matters, facilities management, human resources management, collections department management, commission payment and reconciliation, cost accounting and carrier audits, and mergers and acquisitions. Prior to joining MTC, Mr. Jaeger served first as Controller and later as Chief Financial Officer and Corporate Secretary of DialNet, Inc. (succeeding Mr. Anderson) and directly managed the merger of DialNet with MCI/WorldCom. With over 15 years of senior management experience, Mr. Jaeger has developed and supervised most company functions during periods of rapid growth and planned change. He has specialized in re-engineering functions and departments and designed them to grow modularly as revenues and customers increase via internal growth and/or acquisition. Mr. Jaeger is a CPA and holds a BS degree in Accounting and a Masters in Professional Accountancy from the University of South Dakota.

**Eugene P. McCord**  
**Chief Information Officer**

Eugene McCord (age 38) is a founding stockholder of the Company and serves as our Vice President-Chief Information Officer. He has over 15 years of experience as a corporate operations manager in the telecommunications industry and is considered an expert in telecommunications billing and operating support systems. Mr. McCord also served as a partner and Managing Director of entrénet. Through entrénet's role as management consultant, Mr. McCord spearheaded the design and implementation of a convergent billing and operating support system for DTG. Mr. McCord worked closely with DTG assisting with numerous projects, and was integral in the integration of numerous systems that automated and



streamlined the BOSS systems for the company. Mr. McCord additionally assisted the company in developing procedures that emphasized work flows management, one step information gathering and automation of repetitive functions. Prior to joining entrénet, Mr. McCord served as Vice President-Global Billing and Information Services for NetSource Communications (formerly MTC Telemanagement) from November 1993 to January 1997. There he supervised over 80 employees and was responsible for managing all aspects of the company's billing operations including domestic and international billing, customer service, order administration and provisioning, MIS, corporate facilities and mailroom functions. From March 1989 to April 1993, Mr. McCord served as the MIS manager for DialNet, and was responsible for the design and administration of the company's long distance billing system. From April 1993 to October 1993, Mr. McCord served as a Data Processing Installation Manager for EDS as Worldcom converted the DialNet system to the EDS system after the merger of DialNet and Worldcom. From 1985 through March 1998, Mr. McCord held management positions for several small ILECs including serving as Office Manager and Assistant Controller for Grand River Mutual Telephone Corporation in Princeton, MO, from March 1988 to May 1989; as Office Manager and Accountant for Midstate Telephone Company in Kimball, SD, from May 1985 to March 1988; and as Senior Billing Analyst for N.E. Missouri Rural Telephone Coop in Green City, MO, from February 1985 to May 1985. From September 1983 to February 1985, Mr. McCord served as a Cost Separations analyst for Martin & Associates, one of the leading small ILEC engineering and consulting firms in the United States. With over 15 years of communications experience, Mr. McCord has been responsible for establishing and interpreting many of the rules and regulations that govern the providing of local phone service, and cable television services. His expertise is highly sought after establishing BOSS systems, and developing "real world" solutions to theoretical problems. Mr. McCord has an Associates degree in Accounting.

**Tracy T. Larsen**  
**General Counsel & Secretary**

Tracy Larsen (age 41) is a founding stockholder of the Company and serves as its Corporate Secretary. He is a senior partner at Warner Norcross & Judd LLP, a 170-member legal firm headquartered in Grand Rapids, Michigan. Mr. Larsen has been in private practice since 1984, and specializes in securities law and business transactions. He serves as chairman of the firm's Mergers and Acquisitions Group, and has extensive experience in all forms of acquisition, partnership and joint venture transactions and corporate financing transactions, both public and private. Mr. Larsen served as outside corporate counsel for Dakota Telecommunications Group, where he pioneered that company's conversion from a cooperative telephone company into a public CLEC. Mr. Larsen represents numerous large domestic and foreign corporations. With over 17 years of M&A, finance and business experience, Mr. Larsen is an integral part of our management team. His expertise in business law and his ability to incorporate legal solutions and business sense is invaluable as we continue to look at additional business combinations. Mr. Larsen received his A.B. degree summa cum laude from Hope College in 1981 and his J.D. degree magna cum laude from Indiana University in 1984. He is a member of the American Bar Association and the State Bar of Michigan. Mr. Larsen is listed in Who's Who in American Law and in The Best Lawyers in America. He is also a guest lecturer on various matters of corporate law for the Institute of Continuing Legal Education.

## **PrairieWave Communications Management**

### **Brent Norgaard Vice President and General Manager**

Brent Norgaard was named Vice President and General Manager of the Dakotas Region of McLeodUSA in June 2000. In this capacity, Brent's responsibilities include Marketing, Sales, Customer Service, Service Delivery, Finance, Network Design, Installation, Construction and Operations, Information Technology, Billing, Credit & Collections, Operator Services, Human Resources, and Facilities. Between 2000 and 2001, under Brent's leadership, the operations increased revenue by 31% and EBITDA by 130%. Prior to his position in the Dakotas, Brent served McLeodUSA as General Manager of the Central Iowa markets from March 1999 to June 2000. Before accepting the role as General Manager, Brent held several different leadership roles within McLeodUSA since joining the company in 1995. Prior to McLeodUSA, Brent served as General Manager of MWR Telecom, a subsidiary of Midwest Resources, based in Des Moines, Iowa. Under Brent's leadership, MWR Telecom averaged 40% revenue growth per year between 1986 and 1995 and became one of the few of its kind to turn a profit in its first five years of business. Brent has a B.S. degree in Electrical Engineering from Iowa State University. He was born and raised in the small town of Harlan in southwest Iowa. Brent will become the Chief Operating Officer for PrairieWave Communications, Inc., upon the completion of that acquisition.

### **William P. Heaston Vice President, Corporate Counsel**

Mr. Heaston is currently providing legal advice to McLeodUSA Telecommunications Services, Inc. on wholesale, carrier and major customer contractual matters, state regulatory matters, and the business-to-business relationship with Qwest Corporation. He will become the Corporate Counsel for PrairieWave Communications, Inc., upon the completion of that acquisition. He holds a BA from Creighton University, a JD from the Creighton University School of Law, and an LLM from the New York University School of Law. Bill retired from the U.S. Army in 1986 after 21 years of service. His awards include the Legion of Merit and two Bronze Stars. He served in Vietnam, Europe, West Point, Alaska, Kansas and Washington, DC. From 1986 until March of 1998, Bill was a Senior Attorney for Qwest (fka U S WEST), providing legal support and advice for the operations principally in Colorado, North Dakota, South Dakota and Wyoming. In 1998 Bill became the General Counsel for Dakota Telecommunications Group until its acquisition by McLeodUSA in 1999. Bill is an experienced trial attorney, regulatory agency litigator, and appellate advocate. He has extensive experience managing large legal offices and advising the senior leadership of large and complex organizations. His legal practice experience includes state and federal telecommunications regulation, administrative law, contract law, lobbying, anti-trust law, intellectual property law, Internet law, arbitration and negotiation of interconnection agreements, and implementation of the Telecommunications Act of 1996. He is admitted to practice in Nebraska, Colorado and Minnesota.

**Jerry Andersen**  
**Vice President - Network & Engineering Operations**

Jerry Andersen has worked in the communications industry for almost 30 years. In 1973, he began traveling all over the Midwest as a contract installer for Nye Electronics in Blunt, SD. Later, as the company's foreman, he handled billing, customer relations, and technical training. In 1977, he became a contract cable TV splicer for F.M. Keller Communications, working in South Dakota, Minnesota, and Iowa. When Keller became Tri-State Cable TV, Jerry helped design and build turnkey cable plants in 44 communities. In 1983, as the General Manager of Tri-State, he started the company's satellite operation. When Douglas Communications acquired Tri-State in 1986, Jerry became the Chief Engineer for 26 cable systems in the region, later being promoted to General Manager of the company. In 1995, the Douglas holdings were sold to five different companies, and Dakota Telecommunications Group recruited Jerry. As Manager of DTG Cable Operations, Jerry directed the first HFC overbuilds in South Dakota. He was promoted to his current position in 1999. In June of 1999, Jerry was promoted to Vice President of Network and Engineering Operations. His responsibilities include Central Office Operations and Engineering, Outside Plant Operations and Engineering, Broadband Operations and Engineering, Service Implementation and Repair, Fiber Management, Network Provisioning, and Warehouse/Facilities Maintenance for 40 sites.

**Kelly Kuyper**  
**Senior Manager - Customer Care**

After a year at Northern State University in Aberdeen, SD Kelly Kuyper enrolled in the Travel Program at Nettleton in Sioux Falls. For four years, she was a customer service agent for TWA at Joe Foss Field in Sioux Falls. When she started working as an operator at TeleTech, Kelly embarked upon a career path that allowed her to see the communications industry from the inside out. She did order entry and billing for Computel, and when that company was acquired by Dial-Net, she became a Customer Service Representative, Account Coordinator and Special Projects Coordinator for Dial-Net. She processed orders, handled sales commissions, managed DID switch conversions, and tackled projects like 800# portability. When LDDS (now WorldCom) acquired Dial-Net, Kelly became an SMS Coordinator, converting all of Dial-Net's numbers onto the new platform. In 1993, she was recruited and hired by Firstel, a new telecommunications reseller starting in Sioux Falls. Kelly assisted in establishing the following departments: customer service, billing, order processing, dispatch, and account coordination, which ultimately resulted in her becoming Operations Manager, managing a staff of approximately 60 employees. McLeodUSA recruited Kelly in June of 1999 to be its new billing manager. In January 2000, Kelly was appointed the Senior Manager of Customer Service. In her current role, Kelly leads and manages Residential and Business Customer Service, 7x24x365 Operator Services Center, Billing, Credit & Collections, Service Delivery, a team of Community Coordinators, and Key Indicators Reports. Kelly works closely with a diverse management team who is results-oriented and driven to succeed.

**Charlynn Hay**  
**Senior Manager - Accounting**

McLeodUSA recruited Char Hay to be its controller in December of 1996. She received her undergraduate degree from the University of Sioux Falls, where she won the prestigious Outstanding Business Student Award. She holds a bachelor's degree in Business Administration, with minors in both accounting and computer science. Recently, she achieved a Master's Degree in Business Administration from USF. Char has worked in key financial positions for several Sioux Falls businesses, including assistant controller for Dial-Net (the seventh largest long distance company in America at the time), accounting manager for Austad's (the giant mail order golf supply company), and staff accountant for the full-service accounting firm of Thurman, Comes, Foley and Co. At Dial-Net, Char completed financial statements, managed the payroll, and prepared tax filings for 48 states. At Austad's, she performed analyses of cash flow, operating efficiency, shipping and receiving, and international funds transfer—in addition to payroll and financial statements. At Thurman, Comes, Foley and Co., she performed accounting, auditing, and tax preparation. At McLeodUSA, Char's responsibilities include generating and maintaining the operating and capital budgets, review monthly financial statements and is prepared to answer any questions regarding the statements, oversees the inventory, fixed assets, accounts payable, general ledger, purchasing, franchise reporting, miscellaneous filings, product cost analysis, regulated cost study, audits, payroll and taxes.

Trade Secret – Not for Public Disclosure

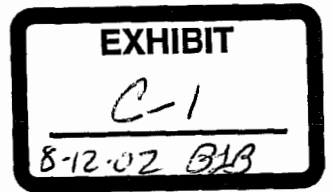


Exhibit C-1  
TC02-062

Financial Statements

**CONFIDENTIAL**

4

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

IN THE MATTER OF THE PETITION OF DAKOTA COMMUNITY TELEPHONE, INC. AND MCLEODUSA TELECOM DEVELOPMENT, INC. FOR APPROVAL OF THE TRANSFER OF THEIR STOCK TO PRAIRIEWAVE COMMUNICATIONS, INC.	) ) ) ) ) ) ) ) ) )	FINAL DECISION AND ORDER APPROVING SALE OF STOCK AND TELEPHONE EXCHANGES; NOTICE OF ENTRY OF ORDER  TC02-062
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On June 17, 2002, Dakota Community Telephone, Inc. (DCT) and McLeodUSA Telecom Development, Inc. (MTD) (together, "Petitioners") filed a petition (petition or application) requesting the South Dakota Public Utilities Commission (Commission) to approve a transaction in which Petitioners' stock and the stock of DCT's parent corporation, McLeodUSA Community Telephone, Inc. would be acquired by PrairieWave Communications, Inc. (PrairieWave). Petitioners seek approval of the stock sale pursuant to SDCL 49-31-59 because the transaction would transfer control of twenty-six local telephone exchanges in South Dakota (collectively, the McLeod Exchanges) from the McLeodUSA Incorporated consolidated enterprise to PrairieWave.

On June 20, 2002, the Commission electronically transmitted notice of the filing and the intervention deadline of July 5, 2002, to interested individuals and entities. No petitions to intervene or comments were filed.

A hearing was scheduled for August 12, 2002, at 6:30 p.m., at the Viborg Community Center, Viborg, South Dakota. The hearing was held as scheduled. At the hearing, PrairieWave moved to intervene, and the Commission unanimously voted to grant intervention. Petitioners also moved to amend the petition to correct the inadvertent omission of Davis from the list of McLeod Exchanges. Testimony was presented by Petitioners, staff, and the public.

After hearing the evidence, the Commission continued the hearing to permit the Commission to review and consider certain financial documentary evidence introduced at the hearing and certain additional documentary evidence which the Commission requested Petitioners to provide prior to August 15, 2002, pertaining to the historical financial performance of Petitioners. The Commission scheduled the matter for decision at its next regularly scheduled meeting on August 15, 2002, at which time, the Commission voted separately on whether to approve each of the McLeod Exchanges. The Commission voted unanimously in each of the separate votes to approve the sale of each of the McLeod Exchanges to PrairieWave through the proposed stock sale, subject to certain conditions.

Having reviewed the evidence of record and being fully informed in the matter, the Commission makes the following Findings of Fact and Conclusions of Law:

## FINDINGS OF FACT

### GENERAL FINDINGS

1. DCT, a South Dakota corporation, is a wholly-owned subsidiary corporation of McLeodUSA Community Telephone, Inc., a Delaware corporation, which is in turn a wholly-owned subsidiary of McLeodUSA Holdings, Inc. Exhibit I at 1; Exhibit A; Exhibit D. DCT owns and operates the following fourteen local exchanges in South Dakota as the incumbent carrier: Alsen, Beresford Rural, Chancellor, Davis, Flyger, Gayville, Hurley, Irene, Lennox, Monroe, Parker, Volin, Wakonda and Worthing (DCT Exchanges). Exhibit I at 2; Exhibit G; Transcript at 62.
2. MTD, a South Dakota corporation, is a wholly-owned subsidiary of McLeodUSA Telecommunications Services, Inc. Exhibit I at 1; Exhibit A; Exhibit D. MTD owns and operates the following twelve local exchanges in South Dakota as a competitive carrier: Canton, Centerville, Colman, Elk Point, Flandreau, Harrisburg, Madison, North Sioux City, Tea, Viborg, Watertown and Yankton (MTD Exchanges). Exhibit I at 2; Exhibit G; Transcript at 62.
3. The McLeod Exchanges are comprised of the DCT Exchanges and the MTD Exchanges. Exhibit G.
4. PrairieWave was incorporated in Delaware on May 6, 2002, and received a Certificate of Authority to transact business in South Dakota as a foreign corporation on June 17, 2002. Exhibit B. PrairieWave will be based in Sioux Falls, SD with its business address at 5100 South McLeod Lane, Sioux Falls, SD 57108. Exhibit I at 1.
5. The change of ownership and control of DCT and MTD, and correspondingly of the McLeod Exchanges, will be accomplished in accordance with the terms and conditions of Exhibit A, the Stock Purchase Agreement among PrairieWave, McLeodUSA Telecommunications Services, Inc. and McLeodUSA Holdings, Inc. Contemporaneously with the closing of the Stock Purchase Agreement, PrairieWave will file with the Secretary of State to change the names of DCT to PrairieWave Community Telephone, Inc. and MTD to PrairieWave Telecommunications, Inc. Exhibit I at 1.

### PRAIRIEWAVE'S INTEREST

6. As the purchaser of the stock and telephone exchanges at issue in this proceeding, PrairieWave will be bound and affected by the outcome of this proceeding with respect to an interest peculiar to PrairieWave as distinguished from an interest common to the general public or to the taxpayers in general.

### ADEQUACY OF LOCAL TELEPHONE SERVICE

7. As a result of the stock sale transaction, there will be no change in the management or operation of Petitioners. Exhibit I at 2. All of Petitioners' existing management will continue with the company after the transaction is complete. Exhibit C.
8. PrairieWave will honor all existing contracts, commitments, leases, and other arrangements and will not eliminate any services currently provided by Petitioners. Transcript at 33, 40 and 79.
9. PrairieWave will retain all current employees of Petitioners. *Id.* at 23 and 86. Customers will continue to be able to make trouble reports and ask service questions by calling a local or toll-free number. Exhibit J, Letter to Harlan Best at 3. PrairieWave will continue twenty-four hour, seven day per week customer service following the transaction. Transcript at 86.



10. Petitioners have installed and made available to their customers facilities and services that provide state-of-the-art telecommunications services, including at many locations broadband services using cable modems and DSL. PrairieWave will continue these services following the transaction. Exhibit J, Letter to Harlan Best at 5; Exhibit I at 2 and 3; Transcript at 33. PrairieWave intends to pursue a program of installing enhanced service capabilities. Transcript at 79 et seq.

#### REASONABLENESS OF RATES

11. Following the transaction, the existing terms, conditions and prices for local exchange service to the McLeod Exchanges will remain in effect and Petitioners' access tariffs will change in name only. Exhibit I at 2 and 3. DCT has filed its required access cost study, which may result in a change in switched access rates as approved by the Commission. Transcript at 38; Docket No. TC02-087.

#### PUBLIC SAFETY ISSUES

12. Petitioners provide full support and connectivity to all Public Services Answering Points within its service territories. Exhibit I at 3. PrairieWave will continue to provide existing emergency services. Exhibit J, Letter to Harlan Best at 3; Transcript at 34.

#### ABILITY OF THE BUYER TO PROVIDE SERVICE

13. The management team of PrairieWave is essentially the same as the management team of Petitioners prior to the acquisition of Petitioners by McLeod and has experience with managing the business. Petitioners' operational management will continue with PrairieWave following the stock sale. Exhibit C. PrairieWave's management team has extensive experience in the successful management and development of telecommunications companies and operations. Exhibit B-1. The management team and work force have been in the telecommunications business for many years and are highly skilled and knowledgeable in providing local exchange service, long distance service, broadband and Internet services, cable TV service and network management. Exhibit I at 3; Transcript at 18.

14. PrairieWave has arranged adequate financing to consummate the transaction and operate the McLeod Exchanges following the transaction. Exhibit I at 3; Exhibit H; Exhibit J, Letter to Harlan Best at 4; Transcript at 67.

15. Petitioners currently provide and PrairieWave will continue to provide modern, state-of-the-art telecommunications services that will help promote economic development, tele-medicine, and distance learning in rural South Dakota. Exhibit I at 2; Transcript at 77 et seq.

#### PROTECTION OF THE PUBLIC INTEREST

16. During the hearing in Viborg, there was no public opposition to the acquisition by PrairieWave of Petitioners' stock and telephone exchanges. The only member of the public who commented supported the sale of the stock and exchanges to PrairieWave. Transcript at 95.

17. PrairieWave's purchase of Petitioners' stock and the McLeod Exchanges is in the public interest of the customers within the companies' exchanges for the following reasons:

- a. As part of its restructuring in bankruptcy, McLeodUSA determined that the McLeod Exchanges no longer fit into its core business. If the McLeod Exchanges are not acquired by PrairieWave, they will be either continue to be owned by McLeodUSA, which considers them as non-core operations with a low priority for future investment, or will be offered to an unknown

alternative purchaser whose commitment to investment in and maintenance of the McLeod Exchanges cannot be determined. Exhibit J, Letter to Harlan Best at 4; Transcript at 81. The sale to PrairieWave is the best alternative for maintaining high quality service to the McLeod Exchange.

- b. Quality local service will be maintained, Exhibit I at 2; Transcript at 33 and 79.
- c. The customers of the exchanges will continue to receive 24/7/365 customer service at least as effective as Petitioners have provided. Transcript at 83.
- d. Rates will not increase as a result of the sale. Transcript at 34.
- e. Emergency services will continue to be provided to the exchanges at the level currently provided. Transcript at 34
- f. Customers in the exchanges will be able to obtain additional, advanced telecommunications services as needed. Transcript at 79.

#### TAXES

18. The sale of the stock is not expected to affect the payment of taxes. Exhibit J., Letter to Harlan Best at 5; Transcript at 35.

#### CONDITIONS OF SALE

19. The Commission's approval of the proposed sale of the stock of DCT and MTD and the resulting transfer of control of the McLeod Exchanges to PrairieWave, shall be subject to the following conditions:

- a. That the financing and purchase of the DCT and MTD stock and the transfer of control over the McLeod Exchanges proceed substantially in accordance with the terms of Exhibit A, the petition and the documents submitted in support of the petition.
- b. That current local rates not be increased for 18 months from the date PrairieWave begins to operate the McLeod Exchanges;
- c. That PrairieWave 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;
- d. That PrairieWave 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;
- e. That PrairieWave offer, at a minimum, all existing services currently offered by the purchased exchange; and
- f. That PrairieWave not discontinue any existing extended area service without first obtaining approval from the Commission.

#### REQUEST FOR CONFIDENTIALITY OF FINANCIAL INFORMATION

20. Petitioners requested confidential treatment of Exhibit A, the Stock Purchase Agreement, and Exhibit H, PrairieWave's pro forma balance sheet and other financial statements introduced in response to staff requests. No requests for access to such information have been received.

### SEPARATE VOTE ON EXCHANGES

21. The Commission voted separately on the sale of each of the McLeod Exchanges. The sale of each of the McLeod Exchanges to PrairieWave was approved by unanimous vote of the Commission. Minutes of August 15, 2002 Commission Meeting.

### **CONCLUSIONS OF LAW**

1. The Commission has jurisdiction over the sale of stock of DCT and MTD to PrairieWave 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. Petitioners and PrairieWave have satisfied their burden of proof under SDCL Chapter 49-31, specifically 49-31-59 for approval of the sale of stock of DCT and MTD to PrairieWave.
5. The Commission has considered the adequacy of local telephone service in reviewing this sale of stock. PrairieWave is required to provide all services currently offered. In addition, PrairieWave 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, PrairieWave 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 PrairieWave has the ability to provide modern state-of-the-art telecommunications services that will facilitate economic development, tele-medicine, and distance learning in rural South Dakota after the sale.
10. The Commission approves the sale of stock of DCT and MTD to PrairieWave and the sale of each of the McLeod Exchanges to PrairieWave subject to the Conditions of Sale.
11. The Commission concludes that PrairieWave has satisfied the interest requirements for intervention under ARSD 20:10:01:15.05 and that intervention should be granted.
12. The Commission concludes that Petitioners have requested confidential treatment of the Stock Purchase Agreement and pro forma financial statements and that such information shall be treated

as confidential information subject to the procedures of ARSD 20:10:01:39 through 20:10:01:44, inclusive.

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 DCT and MTD to PrairieWave is approved subject to the Conditions of Sale;

ORDERED that PrairieWave is granted intervention;

ORDERED that the Petition is amended to add Davis to the list of DCT Exchanges; and it is further

ORDERED that the information for which Petitioners have requested confidential treatment shall be so treated until such time as a determination of confidentiality is made pursuant to ARSD 20:10:01:42 and 20:10:01:43.

PLEASE TAKE NOTICE that this Decision and Order in Docket TC02-062 was duly entered this 20th day of August, 2002, and filed in the Commission's docket.

Dated at Pierre, South Dakota, this 20th day of August, 2002.

<b>CERTIFICATE OF SERVICE</b>
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>Tina Douglas</u>
Date: <u>8-29-02</u>
(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

James A. Burg  
JAMES A. BURG, Chairman

Pam Nelson  
PAM NELSON, Commissioner

Robert K. Sahr  
ROBERT K. SAHR, Commissioner

J. W. Smith  
by John Smith

RECEIVED

AUG 28 2002

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF SOUTH DAKOTA

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

DOCKET NO: TC02-062

\* \* \* \* \*

IN THE MATTER OF THE PETITION OF  
DAKOTA COMMUNITY TELEPHONE, INC., AND  
MCLEODUSA TELECOM DEVELOPMENT, INC. FOR  
APPROVAL OF THE TRANSFER OF ITS STOCK TO  
PRAIRIEWAVE COMMUNICATIONS, INC.

Viborg Community Center  
Viborg, South Dakota  
August 12, 2002  
6:30 o'clock p.m.

\* \* \* \* \*

H E A R I N G

\* \* \* \* \*

BEFORE: The South Dakota Public Utilities Commission

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

APPEARANCES:

Mr. Matthew S. McCaulley  
Mr. William Heaston  
Hynes & McCaulley  
122 S. Phillips Avenue, Suite 250  
Sioux Falls, SD 57104-6706

for Petitioners;

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

ORIGINAL

for the Public Utilities Commission.

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

1 CHAIRMAN BURG: It's 6:30. Welcome. I'm glad  
2 we found some chairs. I was afraid you guys were  
3 going to have to stand all night. We were sure they  
4 were here someplace but we couldn't find the right  
5 way to get into the room. Good evening, everyone.  
6 My name is Jim Burg. I am the chairman of the South  
7 Dakota Public Utilities Commission and I will be  
8 presiding over the hearing tonight.

9 I'd like to thank everyone for coming. At this  
10 time I'd like to introduce Commissioners Pam Nelson  
11 and Bob Sahr, the other two commissioners. Also up  
12 here at this table are Greg Rislov, the Commission's  
13 technical advisor, and John Smith, the Commission's  
14 legal counsel. And Karen Cremer and Harlan Best will  
15 be representing the staff in this hearing tonight.

16 At this time I'll begin the hearing of Docket  
17 TC02-062 in the matter of Petition of Dakota  
18 Community Telephone Corporation and McLeodUSA Telecom  
19 Development, Incorporated, for approval of the  
20 transfer of their stock to PrairieWave  
21 Communications, Incorporated. The time is  
22 approximately 6:30 and the date is August 12, 2002.

23 The location of this hearing is in the Viborg  
24 Community Center, Viborg, South Dakota. This hearing  
25 was noticed pursuant to Commission's order for and

1 notice of hearing issued July 24, 2002. We also  
2 published a notice of the meeting in several area  
3 newspapers to advise the public of the hearing.

4 The reason for this hearing is that McLeodUSA  
5 Telecommunication Service, Incorporated, and  
6 McLeodUSA Holding, Inc., are proposing to sell all of  
7 the stock of Dakota Community Telephone,  
8 Incorporated, and McLeodUSA Telecom Development,  
9 Incorporated, and certain other assets to PrairieWave  
10 Communications, Incorporated.

11 This transaction, if approved, will result in  
12 the sale of the following local telephone exchanges  
13 owned by Dakota Community Telephone, Incorporated,  
14 and McLeodUSA Telecom Development, Incorporated, to  
15 PrairieWave Communications.

16 These are the list of the exchanges: Alsen,  
17 Beresford Rural, Chancellor, Flyger, Gayville,  
18 Hurley, Irene, Lennox, Monroe, Parker, Volin,  
19 Wakonda, Worthing, Canton, Centerville, Colman,  
20 Elk Point, Flandreau, Harrisburg, Madison, North  
21 Sioux City, Tea, Viborg, Watertown and Yankton.

22 The question to be decided by the Commission are  
23 whether the sale of each of the local exchanges owned  
24 by Dakota Community Telecom, Incorporated, and McLeod  
25 Telecom Development, Incorporated to PrairieWave

1 Communications, Incorporated, should be approved.

2 South Dakota law requires the Commission to vote  
3 separately on the sale of each exchange after  
4 considering the following factors: The protection of  
5 the public interest, the adequacy of the local  
6 telephone service, the reasonableness of the rates  
7 for local service, the provision of 911 and Enhanced  
8 911 and other public safety services, the payment of  
9 taxes, and the ability of the local exchange company  
10 to provide modern state-of-the-art telecommunication  
11 services that will help promote an economic  
12 development, telemedicine, and distance learning in  
13 South Dakota.

14 All parties have the right to be present, to be  
15 represented by an attorney and to present testimony  
16 and other evidence. Following the presentations by  
17 Petitioners and the Commission staff we will take  
18 comments from the members of the public. And I would  
19 like to encourage everyone in attendance to feel to  
20 free to voice their questions or concerns at that  
21 time.

22 If anyone offers factual testimony we will ask  
23 that -- we may ask that you be sworn in so that we  
24 can make your testimony part of the evidence in the  
25 case. State law requires that the parties be given



1 the opportunity to cross-examine anyone who presents  
2 sworn testimony. And in contrast if you just want to  
3 make comments but are not in the form of testimony  
4 you probably won't need to be sworn in or  
5 cross-examined.

6 At the conclusion of the hearing the Commission  
7 may decide to vote on the issues tonight or we may  
8 take the matter under advisement to give us a chance  
9 to study the evidence presented tonight.

10 The Commission's final decision may be appealed  
11 by the parties to the State Circuit Court and the  
12 State Supreme Court. John Smith will act as  
13 Commission counsel. He may provide recommended  
14 rulings on procedural and evidentiary matters.

15 The Commission may overrule its counsel's  
16 preliminary rulings throughout the hearing. If not,  
17 overruled, however, the preliminary rulings will  
18 become final rulings. At this time I will have John  
19 Smith take appearances of the parties and conduct the  
20 hearing.

21 MR. SMITH: Thank you, Mr. Chairman. At this  
22 time would Dakota Community Telephone, Inc., and  
23 McLeodUSA Telecom Development, Inc., and PrairieWave  
24 Communications, Inc., make its appearances?

25 MR. McCAULLEY: Commissioners, I'm Matthew

1 McCaulley on behalf of the Petitioners and  
2 PrairieWave Communications.

3 MR. SMITH: Thank you. Ms. Cremer.

4 MS. CREMER: Karen Cremer on behalf of staff.

5 MR. SMITH: I think with that, unless there's  
6 anything that the attorneys would like to do  
7 preparatory to the hearing we'll begin with an  
8 opening statement if you'd like to make one,  
9 Mr. McCaulley.

10 MR. McCAULLEY: Thank you. And actually I do  
11 have just a couple of housekeeping items I'd like to  
12 cover before an opening statement. The first one,  
13 and I have spoken with Ms. Cremer about this, the  
14 first one will be intervention of PrairieWave  
15 Communications, Inc., was inadvertently left off the  
16 Petition as a Petitioner. And PrairieWave  
17 Communications, because we see them as a necessary  
18 party because of their pecuniary interest in this  
19 matter, is requesting to formally intervene in this  
20 matter.

21 MS. CREMER: Staff would have no objection.

22 MR. SMITH: Is there any objection from anyone  
23 else? Is there a motion?

24 CHAIRMAN BURG: Yes, I think we probably have a  
25 motion. I move that we do allow PrairieWave as an

1           intervenor in the case because it must have been  
2           inadvertently left off.

3           COM. NELSON: I'll second.

4           COM. SAHR: And I concur.

5           MR. SMITH: Mr. McCaulley.

6           MR. McCAULLEY: Thank you. The second matter  
7           would be on the Petition filed by the Dakota  
8           Community Telephone and McLeodUSA Telecom Development  
9           an exchange and ILEC was inadvertently left off --  
10          I'm sorry. An exchange was left off the Exhibit G.  
11          And that would be the exchange of Davis. And we're  
12          asking the Commission for permission to amend the  
13          Petition to include Davis as an exchange.

14          MR. SMITH: Staff?

15          MS. CREMER: Staff has no objection.

16          CHAIRMAN BURG: I will move that we admit Davis  
17          as one of the exchanges to be sold as well.

18          COM. NELSON: I second.

19          COM. SAHR: And I concur.

20          MR. McCAULLEY: Mr. Smith, I have one remaining  
21          item and that relates to the exhibits. And I prefer  
22          if the Commission would allow me to address this  
23          matter before we begin testimony. At this point in  
24          time in the hearing I don't intend or plan on  
25          offering additional exhibits besides what is already

1 a formal part of the record. I believe there are  
2 exhibits attached to the Petition as enumerated,  
3 lettered A through H, and then there were also five  
4 exhibits attached to the July 3, 2002 letter sent to  
5 Mr. Best in response for request of additional  
6 information. And I would like to request that we  
7 formally make those exhibits part of the record.

8 MR. SMITH: Are you offering those exhibits?

9 MR. McCAULLEY: If the Commission would  
10 entertain that, yes, sir.

11 MR. SMITH: Staff?

12 MS. CREMER: Just so I understand this, you're  
13 putting in the exhibits but not the Petition  
14 itself?

15 MR. McCAULLEY: At this point, correct. And I  
16 guess if the Petition -- if the Petition should be  
17 made part of the record I'd actually move the  
18 Petition also.

19 MS. CREMER: I just think it would be clearer  
20 because if they're attached to the Petition it would  
21 make sense. Okay. Through H? So then I is the  
22 Petition?

23 MR. McCAULLEY: Yes.

24 MS. CREMER: Okay. Then staff has no  
25 objection.

1 MR. SMITH: Am I understanding this correctly, I  
2 thought you stated that there were additional  
3 exhibits other than A through H.

4 MR. McCAULLEY: Yes, there are. In addition  
5 there are five exhibits that are a part of the  
6 July 3, 2002 letter from Bill Heaston to Harlan  
7 Best.

8 MR. SMITH: And what would those be labeled?

9 MR. McCAULLEY: Those are labeled Exhibit A-1,  
10 which is some additional information in response to  
11 the question about the purchase price; Exhibit B-1,  
12 management's resume; C-1 is original financial  
13 statements; D-1, our pricing descriptions; and E-1 is  
14 a listing of the taxes that are paid by type.

15 MR. SMITH: And so we have A through H are the  
16 original set of documents that were submitted at the  
17 time of Petition filing. Exhibit I is the Petition  
18 itself. And A through E-1 are five additional  
19 documents that have been submitted to staff.

20 MR. McCAULLEY: That is correct.

21 MR. SMITH: Okay. Well, you know what they are,  
22 staff. Ms. Cremer, do you have an objection to the  
23 introduction of the documents?

24 MS. CREMER: So is the letter going in, too?  
25 Was that marked as one of them?

1 MR. McCAULLEY: I don't believe that was marked  
2 as an exhibit.

3 MS. CREMER: Do you want to include his letter  
4 and Mr. Best's letter?

5 MR. McCAULLEY: Yeah. That would be fine. We  
6 included the July 3, 2002 letter.

7 MS. CREMER: Mr. Heaston's letter you want to  
8 include? I think it would make more sense to do  
9 that. Okay. So then that's, what --

10 MR. HEASTON: Make it Exhibit J with attachments  
11 A-1 through E-1.

12 MS. CREMER: Staff has no objection.

13 MR. SMITH: Are there physical copies of this  
14 stuff that we can provide to the reporter?

15 MR. McCAULLEY: Yes, there are.

16 MR. SMITH: Does that include the letter and the  
17 Petition?

18 MR. McCAULLEY: Yes, it does.

19 MR. SMITH: Okay. Does the Commission want to  
20 look at any of the additional documents? You've got  
21 in your possession A through I. The Commission has  
22 not actually seen, to my knowledge, at this point,  
23 A through E-1. Will there be discussion of these? I  
24 guess I'm a little concerned with admitting something  
25 -- the other things look to be all official

1 documents that are complete and there really isn't a  
2 whole lot of foundation involved with them. I guess  
3 not knowing what these things are, I don't know, do  
4 you have any comment on that, staff?

5 MS. CREMER: No. Staff received them. We  
6 submitted a data request to them. This is their  
7 response to staff. So we have seen A-1 through E-1.  
8 You know, I guess you could admit them and give them  
9 the weight you think they deserve would be --

10 CHAIRMAN BURG: Those didn't go in the record?

11 MR. SMITH: That's what we're talking about  
12 now.

13 CHAIRMAN BURG: No, I mean they aren't in the  
14 official --

15 MS. CREMER: They're not in the file.

16 CHAIRMAN BURG: They aren't in the official  
17 file?

18 MS. CREMER: Right, because they were in  
19 response to a data request.

20 MR. SMITH: Let me ask you this: Are you  
21 satisfied that there is a satisfactory foundation for  
22 those exhibits?

23 MS. CREMER: Yes.

24 MR. SMITH: Okay. With that I'm going to -- I'm  
25 going to admit Exhibits A through I and Exhibits

1 A through E-1.

2 MS. CREMER: And J.

3 MR. SMITH: J was what?

4 MS. CREMER: Was the letter from Heaston.

5 MR. SMITH: A-1 through E-1. And what is J? J  
6 is the cover letter?

7 MR. HEASTON: J is the cover letter.

8 MR. McCAULLEY: J is the transmittal cover  
9 letter for A-1. It references those exhibits.

10 MR. SMITH: J is also admitted. Hearing no  
11 objection we'll move along. Mr. McCaulley?

12 MR. McCAULLEY: Thank you. And I have just a  
13 brief opening statement, Commission members, if I  
14 may. Just as a brief background, on May 15, 2002,  
15 McLeodUSA and PrairieWave Communications entered into  
16 a confidential stock purchase agreement. The subject  
17 of the transfer as we've already heard were 14 ILECs  
18 and 12 CLECs. The ILECs being owned by Dakota  
19 Community Telephone and CLECs by McLeod Community  
20 Telephone.

21 This transfer -- the evidence we'll be  
22 presenting tonight will show that this transfer and  
23 the approval of the stock sale will continue to  
24 enhance the vitality and viability of rural South  
25 Dakota with regard to the exchanges that are the



1 subject of this hearing tonight.

2 We'll be calling just two witnesses this  
3 evening. The first witness of the applicants will be  
4 Craig Anderson. Mr. Anderson is a CEO and chairman  
5 of PrairieWave Communications, Inc. He's also  
6 responsible for the marketing, financial operations  
7 and the strategic planning of PrairieWave.

8 Mr. Anderson will be called to testify with  
9 regard to the background and the details of  
10 PrairieWave Communications and also talk about the  
11 first five factors under the statute: the public  
12 interest, local telephone service, the rates for the  
13 service, public safety services, and the taxes.

14 The second witness we'll be calling will be  
15 Mr. Brent Norgaard. He is currently the  
16 vice-president and general manager of Dakota's region  
17 for McLeodUSA. Following the transfer, if this  
18 Commission approves it of the stock, he will be the  
19 vice-president and general manager of PrairieWave  
20 Communications.

21 Mr. Norgaard will testify with regard to the  
22 network structure of the exchanges, the condition of  
23 the exchanges and the capital investment plan of  
24 PrairieWave Communications with regard to these  
25 exchanges. And he will testify in general then to

1 the last factor as found in the statutes. So with  
2 that I'm ready to proceed when the Commission is.  
3 Thank you.

4 MR. SMITH: Does the staff want to make an  
5 opening statement now or would you prefer to wait?

6 MS. CREMER: Staff will not make an opening  
7 statement.

8 MR. SMITH: Mr. McCaulley, you may proceed.

9 MR. McCAULLEY: Thank you. Petitioners call  
10 Mr. Craig Anderson.

11 CRAIG ANDERSON,

12 called as a witness, being first duly sworn,  
13 testified and said as follows:

14 DIRECT EXAMINATION BY MR. McCAULLEY:

15 Q. Good evening, Mr. Anderson. Would you please spell  
16 -- say your name and spell it for the record?

17 A. Craig Alan Anderson. C-R-A-I-G, A-L-A-N,  
18 A-N-D-E-R-S-O-N.

19 Q. Thank you. And could you please provide the  
20 Commission with your current business address,  
21 occupation?

22 A. Certainly. My current business address is 2106 East  
23 Slaten Park Circle in Sioux Falls, South Dakota  
24 57103. My current occupation is as chairman and  
25 chief executive officer of PrairieWave

1 Communications.

2 Q. Thank you. Would you please explain to us a little  
3 about your educational and occupational background?

4 A. I hold a Bachelor of Arts degree from Augustana  
5 College in business administration and economics and  
6 accounting. I have an MBA from the University of  
7 South Dakota. I have a Master's in professional  
8 accounting from the University of South Dakota. I  
9 have a law degree from the University of Southern  
10 California. I'm admitted to practice law in  
11 Minnesota, South Dakota and California although I'm  
12 active only in South Dakota. I'm a CPA, and I was  
13 recently designated by the AICPA as a certified  
14 information systems specialist.

15 Q. All right. Thank you. I'm sorry, did you have  
16 additional --

17 A. Do you want to get into my job background?

18 Q. Please, please.

19 A. This is not the first time I've appeared before the  
20 Commission, but in the smallness of this world it's  
21 the first time I've appeared with Bill Heaston by my  
22 side rather than on the other side.

23 I began my career in 1980 as a private attorney  
24 and started one of the first wind energy companies  
25 which is now a subsidiary of General Electric, and in

1 that job dealt with the California Public Utilities  
2 Commission extensively as we opened the brand new  
3 competitive area of electrical power generation.  
4 1987 I moved back to Sioux Falls. I became involved  
5 with the Dial-Net Company which was a long-distance  
6 reseller. I was senior vice-president and general  
7 counsel and corporate secretary for that company and  
8 also director. That company was sold to WorldCom  
9 many years before the current problems.

10 After that I was on a non-competition  
11 arrangement and I spent about eighteen months helping  
12 the Austad family. Mr. Austad tragically passed away  
13 from Alzheimer's disease and they needed some help  
14 with the catalog company that they operated.

15 I left there and became an independent  
16 consultant for the telecommunications industry  
17 advising primarily investors and banks. And then in  
18 1996 I was hired by Dakota Telecommunications  
19 Cooperative as their vice-president of marketing and  
20 their chief financial officer.

21 I think the Commission, certainly the staff is  
22 aware of what happened at Dakota, but briefly we  
23 converted from the co-op to a public Delaware  
24 corporation. I became president, a director, and  
25 chief financial officer of that corporation. We

1 began the select build-out that we're going to be  
2 discussing tonight. And in 1999, I believe it was,  
3 we ended up merging Dakota Telecommunications with  
4 McLeodUSA.

5 After that I was again a strategic business  
6 consultant, this time primarily for McLeodUSA. That  
7 lasted until August of 2002. In the meantime I had  
8 started a company known as United States  
9 Communications Corporation which today operates as an  
10 engineering firm in the telecommunications area in  
11 the State of Michigan. And of course currently I'm  
12 now serving as chairman and chief executive officer  
13 and as a director of PrairieWave.

14 Q. In your role as chief executive officer and director  
15 at PrairieWave what are your day-to-day  
16 responsibilities and obligations?

17 A. PrairieWave is a single purpose entity that has been  
18 incorporated in the State of Delaware just for this  
19 transaction. So it has no other activities except  
20 for this transaction. Currently we have been  
21 involved in negotiating the agreement with McLeodUSA,  
22 and then in the past several months we've been  
23 involved in extensive due diligence and investigation  
24 of the operations that we intend to acquire.

25 Q. You stated that PrairieWave was formed specifically

1 for this transaction. Talk a little bit about the  
2 goals and mission and purpose of PrairieWave.

3 A. What I did in forming PrairieWave was bring together  
4 a management team of people that had worked with me  
5 at Dial-Net before or had worked with me at Dakota in  
6 the past. All of us are dedicated to providing  
7 advanced telecommunication services to small  
8 communities. And by that we mean communities of  
9 100,000 or less. Our focus is strictly on those  
10 communities. Our systems are designed around  
11 providing services for those communities. Our  
12 marketing is geared to the small community. We do  
13 not -- we believe that our strategic plan focusing on  
14 the small community allows us to provide a higher  
15 quality of service than if we were diverted by  
16 operating in the larger communities.

17 We also believe that we know the small  
18 communities better. We know the construction costs.  
19 We know the maintenance requirements. And it's a  
20 very important strategic focus on our part to stay  
21 with the small communities.

22 Our mission is simply to provide the highest  
23 quality of advanced services we can at a reasonable  
24 cost. And our purpose in this transaction is to  
25 acquire the ILEC and the CLEC developments that form

1 part of the old Dakota Telecommunications group,  
2 finish the build-out and improve the marketing and  
3 service levels and the products that are offered in  
4 those communities.

5 Q. All right. Thank you. Let's talk a little about the  
6 exchanges that you're acquiring. Talk first about  
7 the Dakota Community Telephone. Can you give the  
8 Commission a brief history of DCT?

9 A. Well, Dakota Community Telephone is the current home  
10 of the ILEC business that started way back in 1953,  
11 and actually goes back to 1903 when the Hurley  
12 exchange was first formed. I became involved in the  
13 fall of 1996 as vice-president of marketing and chief  
14 financial officer. And I learned for the first time  
15 that perhaps all the arguments, Jim, that you heard  
16 on the access side were maybe not quite as accurate  
17 as they could have been. It was certainly  
18 interesting to change sides from an IXC to an  
19 independent telephone and to undertake a study of the  
20 really fairly complex economics of a small community  
21 exchange, and especially in a regulated environment  
22 for an incumbent local exchange carrier.

23 I learned a lot in senior management for that  
24 position and really gained a lot of respect for the  
25 people that worked in the smaller companies and their

1 dedication to providing service in the smaller  
2 companies.

3 I think as events have turned out the small  
4 company focus of the company like Dakota in its ILEC  
5 areas has resulted in far superior service in many  
6 cases than what you could get in a larger  
7 metropolitan area.

8 And so those are the lessons that we used when  
9 we designed our CLEC expansion policy while I was at  
10 Dakota, and those are the lessons that we intend to  
11 implement when PrairieWave acquires control of these  
12 exchanges.

13 Q. Let's talk a little more about the CLECs if you  
14 would. Tell me about the history of McLeodUSA  
15 Telecom Development.

16 A. McLeodUSA Telecom Development started as a company  
17 known as Dakota Telecom, Inc. Dakota Telecom, Inc.,  
18 was a wholly owned subsidiary of the cooperative.  
19 And when I started with the company it ran the cable,  
20 the independent cable operations and the other non-  
21 regulated operations of Dakota.

22 In 1996 we changed the strategic direction of  
23 the company to begin competitive over-builds of  
24 smaller communities, and because they were  
25 competitive and not regulated ILECs we put them into



1 Dakota Telecom, Inc. When Dakota Telecom, Inc., was  
2 -- or when Dakota Telecommunications Group was  
3 acquired by McLeodUSA they changed the name to  
4 McLeodUSA Telecom Development. So the McLeodUSA  
5 Telecom Development entity really represents the  
6 completion of the plan that we first put in place  
7 back in 1996 to expand the operations of Dakota.

8 Q. All right. Thank you. Could you explain to me,  
9 Mr. Anderson, why PrairieWave then is interested in  
10 purchasing the stock of these two companies?

11 A. Well, by purchasing the stock in these two companies  
12 we really reunite again the operations of the former  
13 Dakota Telecommunications Group. And by uniting  
14 those operations together once again we create what I  
15 call economics of scale. That is we have engineers,  
16 service technicians, centralized customer service  
17 support here in Viborg and other business activities  
18 that are specialized for the small markets. And that  
19 can be moved around to provide quality services in  
20 all these markets.

21 It also makes economical the ownership and  
22 operation of a large Lucent-5 ESS switch which of  
23 course operates here in Viborg. And there's another  
24 one of those switches located in Marshall, Minnesota,  
25 that provides service up there. So by spreading

1       these costs among all of these smaller communities  
2       we're able to maintain, we believe, a reasonably  
3       priced but advanced telecommunication service.

4 Q.   Thank you.  Talk, if you would, please for a few  
5       moments about the present relationship between  
6       McLeodUSA and PrairieWave with regard to the purchase  
7       of these two entities.

8 A.   Okay.  In July of 2001 I was contacted as the  
9       business consultant for McLeod because they were  
10      interested in selling the Dakota properties.  And I  
11      think it was later in July, perhaps it was August of  
12      2001, I responded by making a bid to purchase the  
13      properties in order to give them that idea of  
14      valuation.  The relationships, the personal  
15      relationships go back many years to our Dial-Net days  
16      where many of the McLeod employees and officers were  
17      officers at that time of Telecom USA.  The business  
18      relationship at this point is strictly the agreement  
19      that we now have in place, the stock purchase  
20      agreement to acquire the Dakota operations in South  
21      Dakota.

22 Q.   What is the tentative closing date or -- strike  
23      that.  What's the closing date under the stock  
24      purchase agreement?

25 A.   I believe the closing date is -- well, let me put it

1           this way: The closing date is flexible and it's set  
2           by the parties. We currently have set August 30th as  
3           our tentative closing date and that's what we're  
4           targeting.

5 Q.    If the closing goes as expected how will present  
6           customers of these two entities notice the  
7           transition?

8 A.    I don't think the customers will notice much at all  
9           about the transition. What we're trying to do is  
10          make the transition as seamless as possible. We have  
11          announced and put out a press release about the  
12          transaction. We will be sending letters out with the  
13          bills so that the customers will know that there is a  
14          new ownership. But the same people will be providing  
15          the service. The same customer service reps will be  
16          answering the telephone. The same middle management  
17          will be employed by the company. The same network  
18          people and field technicians will be providing the  
19          service.

20                 Really the only thing that people should notice  
21                 immediately will be the change in the logo, to the  
22                 PrairieWave logo. And I hope within the next six to  
23                 nine months they'll also receive more services being  
24                 rolled out both in the ILEC and CLEC exchanges.

25 Q.    You've talked about the seamless transition with the

1 purchase of stock. How will PrairieWave finance the  
2 purchase of the stock?

3 A. Well, let me start for a moment and kind of describe  
4 the transaction and it might be easier to talk about  
5 the financing. I've taken the liberty of putting a  
6 little diagram up here. McLeod has a whole series of  
7 subsidiary tiers, probably five or six. We're only  
8 dealing with the very lowest of the lowest three  
9 tiers of that structure. So these lines represent  
10 one hundred percent ownership by another McLeod  
11 corporation that's not affected by our transaction.

12 What we did is we entered into a transaction  
13 with McLeod Telecommunication Services which this  
14 Commission knows because they're the UNE, the seller  
15 who is an authorized CLEC in South Dakota to acquire  
16 all of the stock of McLeod Telecom Development which  
17 is the Dakota CLEC operation. So I think there's  
18 only something like a thousand shares that will come  
19 over here and be owned by PrairieWave when the  
20 transaction starts.

21 The other thing we did is contract with McLeod  
22 Holdings which is nothing but a holding company. And  
23 it owns one hundred percent of the stock of McLeod  
24 Community Services, Inc., which is the old Dakota  
25 Telecommunications Group public company which of

1 course is the old cooperative company. So we're  
2 buying all of that stock.

3 Now, there are no assets being transferred  
4 between corporations in this transaction. It's a one  
5 hundred percent stock transfer with the exception of  
6 McLeod. We negotiated to have certain additional  
7 assets put into this corporation before we complete  
8 the transaction. And the most important of those  
9 assets is rights to the Sioux Falls fiber ring and  
10 rights to what we call the northwest Iowa fiber ring  
11 which is necessary to link all of the communities  
12 together and make the network work.

13 Other than that, though, no assets are moving in  
14 or out of that corporation. No assets are moving in  
15 and out of this corporation. And no assets are  
16 moving from this corporation. This is the ILEC down  
17 here, Dakota Communication Services. None of the  
18 stock of the ILEC is being directly changed or  
19 exchanged. Only the stock of the company that owns  
20 the ILEC is being acquired by us.

21 Then we take this stock that we acquired over  
22 here, we contribute it down here so now this  
23 corporation is a subsidiary of the old co-op as is  
24 the ILEC, and we change the names. And that's all we  
25 do.

1           By doing that we assume all the liabilities and  
2 obligations of all three of these corporations. We  
3 don't have to have all the asset transfers that you  
4 normally would have with a direct asset purchase. We  
5 assume the liabilities. We're subject to the tariffs  
6 that are on file. We're subject to your regulatory  
7 jurisdiction especially over here on the ILEC side on  
8 South Dakota. And we accept all of those  
9 responsibilities and obligations and liabilities  
10 because we become the owner of all of the stock by  
11 virtue of the transaction.

12           Now, to finance the transaction, which was the  
13 direct question you asked. We have assembled a group  
14 -- well, actually two venture capital firms. One is  
15 Alta, A-L-T-A, Communications. The other is Bank  
16 America Capital. I'm not sure if it's capital  
17 corporation or exactly what the full name is. And  
18 they have signed letters, commitment letters that  
19 bind them to provide us with the equity dollars for  
20 the transaction.

21           We've also assembled a bank group. The bank  
22 group is headed by General Electric Capital. It  
23 includes CIT Communications and Home Federal Bank  
24 from Sioux Falls. And they have agreed to provide --  
25 they have signed commitment letters and have agreed

1 to provide the debt financing for the transaction.  
2 Assuming we can get all of the clearances and  
3 documents, and so forth, completed, all of us are  
4 targeting August 30th as the closing date.

5 Q. You talked a little bit about, since this was a stock  
6 purchase you would be assuming the rights and  
7 obligations of the seller. What does that mean with  
8 regard to ETC status?

9 A. ETC, eligible telecommunications company status?

10 Q. Correct.

11 A. That's really a legal conclusion, I think. But I can  
12 tell you the facts that would be determinative in my  
13 mind. One is that we're not changing anything down  
14 here. We are still providing universal service as an  
15 incumbent local exchange carrier. So we still have  
16 all the obligations that are necessary in order to  
17 receive USF. And that's really what ETC status is  
18 all about in terms of the final result.

19 The second is that we're not really changing the  
20 ownership of this corporation, but of course we are  
21 indirectly changing the ownership of the  
22 corporation. I know of no precedent one way or the  
23 other in this situation where you should have to  
24 apply again for ETC status or not.

25 My view would be that because we don't change

1 direct ownership, because we still provide the same  
2 services and are under the same service obligation,  
3 and because we're not moving any assets or  
4 liabilities in or out of this corporation, that the  
5 ETC status of this operation doesn't change at all  
6 and probably should just continue. But I admit that  
7 that would be a legal conclusion, not actual  
8 testimony.

9 Q. So the entity of Dakota Community Telephone as a  
10 corporation, that will survive the purchase?

11 A. Absolutely. All three of these corporations survive  
12 the purchase as corporate entities. The only thing  
13 that happens is that we changed one line in the  
14 Articles of Incorporation. We changed the name. And  
15 of course we provided the Commissioners about four  
16 different names really that we change. And we do  
17 that all as part of the one transaction.

18 Q. Thank you. Once the purchase is complete how will  
19 the purchase price be assigned to each of the  
20 specific exchanges?

21 A. In a transaction like this under generally accepted  
22 accounting principles you're required to use the  
23 purchase accounting rules. And what that means is  
24 that we take the value of all the consideration that  
25 we pay. In this case it will be cash. We add all



1 the liabilities that we assume and then we compare  
2 that to the fair market value of all the assets  
3 involved in one big basket. And we allocate the  
4 purchase price and the sum of the purchase price and  
5 the liabilities among those assets based on their  
6 relative fair market value. But that's a pure  
7 accounting calculation. It has nothing to do with  
8 what title the assets are held in or how they're  
9 used. It's just what the rules are in the GAP.

10 Under Part 32 our accountants, our cost  
11 accountants are currently evaluating the transaction  
12 but they believe that the basis of the assets will  
13 not change at all. They will remain in the costs of  
14 these assets originally booked on the books. So  
15 there will be a different resolve depending on  
16 whether you're looking at Part 32 accounting for  
17 costing purposes versus whether you're looking at  
18 financial statements for generally accepted  
19 accounting principle purposes.

20 Q. At this point in time prior to the closing is it  
21 possible for you to give me a specific dollar amount  
22 that will be assigned to these exchanges?

23 A. I can't do that because in the stock purchase  
24 agreement we have a price adjustment that happens  
25 within 60 days after the transaction. If the working

1 capital is not within certain parameters then either  
2 we pay less for the transaction or we pay more  
3 depending upon what that calculation is. So I can't  
4 give you exact numbers now. However, after that  
5 determination has been made we can give exact numbers  
6 to the Commission and the staff and show you exactly  
7 what the GAP basis is of those assets and compare  
8 that to what the Part 32 basis of those assets is.  
9 And we would be happy to do that if the Commission  
10 would like to see that at a later date.

11 Q. Once the stock purchase is complete you talked a  
12 little bit about some name changes to the entities.  
13 Can you explain for me what entities will be renamed  
14 to which new name?

15 A. Okay. This entity will be renamed PrairieWave  
16 Holdings because all that's going to do when the  
17 smoke clears is own one hundred percent of the old  
18 co-op.

19 Q. Let me interrupt you there for a second. When you  
20 say "this entity," can you refer to that by name?

21 A. PrairieWave. The circle in the middle of the chart.

22 Q. Okay.

23 A. PrairieWave Communications, Inc., that's the current  
24 name, will be renamed PrairieWave Holdings, Inc. It  
25 will remain a Delaware corporation. And its sole

1 asset, if you will, is going to be the stock in the  
2 cooperative. The old cooperative, which is currently  
3 called McLeodUSA Community Services, Inc., will be  
4 renamed PrairieWave Communications, Inc., because  
5 this is where we want to hold our corporate brand  
6 identity as PrairieWave.

7 The McLeod Telecom Development Company which --  
8 McLeodUSA Telecom Development Company, which was the  
9 CLEC operation, will be renamed PrairieWave  
10 Telecommunications, Inc. And the ILEC will be  
11 renamed PrairieWave Community Service, Inc. So  
12 they're just replacing PrairieWave with Dakota.

13 The purpose of that is the whole entity will be  
14 revolving around one brand name, which is the  
15 PrairieWave name, and the entire entity is going to  
16 be structured so that we can take support services  
17 and move them between the CLEC and the ILEC or back  
18 and forth -- and I'm talking about personnel here --  
19 in order to address the needs of the relative  
20 communities.

21 Q. So how would the acquisition of the stock described  
22 in the purchase agreement protect the public interest  
23 here in South Dakota?

24 A. Well, I think that really gets down to the fact that  
25 once again these exchanges are going to be owned by a

1 company whose primary focus is providing services in  
2 these exchanges, as opposed to a fourteen-state area,  
3 whose focus is on the small community in developing  
4 products especially adapted to the small community as  
5 opposed to larger communities, who is extremely  
6 financially solvent with much more working capital  
7 than the corporation currently has or than the  
8 operation currently has, and that of course is shown  
9 in one of the exhibits that we provided. And whose  
10 staff is dedicated and experienced in providing  
11 marketing and technical network service, sales,  
12 customer service to the small community residents.  
13 And that focus, we believe, is absolutely critical.  
14 And instead of being a small part of a much larger  
15 company in a non-core operation, the operations in  
16 these exchanges now become absolutely the major part  
17 of our corporate operation.

18 Q. The Petition or the two entities have a number of  
19 exchanges in them, 14 ILECs and 12 CLECs.

20 A. Uh-huh.

21 Q. Would your comments with regard to the protection of  
22 the public interest, would that apply to each one of  
23 the exchanges?

24 A. Yes, it would. It would be the same for each  
25 exchange.

1 Q. Okay. How will PrairieWave change the provision of  
2 local telephone service in each of the exchanges or  
3 any of the exchanges?

4 A. We are not going to change anything in the existing  
5 areas because we believe that Dakota has always  
6 provided a very high quality service. What we do  
7 intend to do, though, and I believe Brent's going to  
8 talk a little bit more about this on the technical  
9 side is continue to provide more advanced services in  
10 these communities. And especially we want to start a  
11 focus on the ILEC communities. And our plans are to  
12 develop some new products that we can bring into  
13 these ILEC communities that are reasonably priced and  
14 that provide much better service for them.

15 Q. And those comments and those observations are true  
16 for each exchange in the Petition?

17 A. Yes. One of our goals is to be sure that every  
18 community we're in, which we also described as a  
19 market, can be able to take advantage of every  
20 service that we have, whether that service might be  
21 provided by the same technology, which might change  
22 from community to community, but the service itself  
23 from the customer standpoint would be -- it would  
24 appear to be the same.

25 Q. How about changes for the local rates or for the

1 services that are charged in each of those towns,  
2 services that are offered into each of these  
3 exchanges. Will there be adjustments or increases to  
4 the rates?

5 A. No. We've agreed that we are not going to change the  
6 rates in the local communities at all. In fact,  
7 we've agreed to adopt the tariffs that have  
8 previously been filed by both CLEC and ILEC. And we  
9 also believe that the services are already reasonably  
10 priced based on the return. And, therefore, we are  
11 not going to change any pricing in any community for  
12 basic service. We may run a special now and then  
13 from a marketing standpoint, but that would be it.

14 Q. Is that true for each one of the exchanges listed on  
15 the Petition?

16 A. Yes, it is.

17 Q. All right. Will the transition from the present  
18 structure under McLeodUSA to PrairieWave affect any  
19 911 or E-911 services in any exchanges?

20 A. No, it shouldn't. We have, I believe, signed already  
21 agreements with almost all of the 911 and E-911  
22 providers that recognize the transfer of ownership.  
23 None of the connections, of course, from any of the  
24 switching equipment changes because none of those  
25 assets are going to be moved. And so the answer is

1           that no exchange will have any different E-911 or 911  
2           service than they have currently.

3 Q.    Do you anticipate any changes in the way PrairieWave  
4           will pay taxes in any of the exchanges?

5 A.    Well, I was talking to Char Hay about that who is a  
6           controller at McLeod, and they pay them every month.  
7           So I think I can't do much better than that. There  
8           will be no change. We'll be paying the same taxes.  
9           We'll be part of the same local communities. The tax  
10          structure won't be affected at all.

11 Q.   And, finally, if the sale does not go through what is  
12          your understanding of how McLeod will treat the  
13          exchanges?

14 A.   Well, I'm not -- I'm no longer an advisor to McLeod.  
15          I have no official capacity there. But I do know  
16          that over the past year especially there's been very  
17          little investment in these exchanges, particularly in  
18          the ILEC exchanges. I believe that would continue.  
19          I also know that there were other bidders for these  
20          exchanges and that those bidders wanted to break the  
21          system up. For example, separate the cable service  
22          from the local telephone service. And I believe that  
23          they would likely pursue an alternate transaction  
24          where these systems would be acquired by much larger  
25          companies and simply be split up and rolled into a

1 larger development.

2 MR. McCAULLEY: Thank you, Mr. Anderson. I have  
3 no further questions.

4 MR. SMITH: Staff?

5 MS. CREMER: Thank you.

6 CROSS-EXAMINATION BY MS. CREMER:

7 Q. Good evening, Mr. Anderson. What type of EAS  
8 arrangements are there currently within these  
9 exchanges?

10 A. There are numerous EAS arrangements. I believe there  
11 are 15 to 16 EAS contracts associated with both the  
12 ILEC and the CLEC. We are going to honor all of  
13 them.

14 Q. Okay.

15 A. And I believe I think I've signed contracts to that  
16 effect already.

17 Q. Do you anticipate any new EAS routes?

18 A. Not at this time.

19 Q. Do all of these exchanges have schools?

20 A. I don't know the answer to that. Most of the larger  
21 communities do have primary grades and high schools.  
22 I'm uncertain of the very small exchanges like a  
23 Flyger or Davis. They might be a consolidated school  
24 district. But the majority of them do have schools.

25 Q. Do you know, do any of them -- is it a toll call for



1 any of the students to call their school or to call  
2 their classmates?

3 A. I'm sorry. I don't know that information.

4 Q. How are trouble reports currently handled?

5 A. I think again Brent would be better able to describe  
6 that. I do know that they are initiated at a number  
7 of different levels depending on the kind of service  
8 involved. And I do know that our due diligence has  
9 shown the response time has been very satisfactory.  
10 But the exact details of it Brent would be able to  
11 answer for you.

12 Q. Do you know what the current customer service hours  
13 are?

14 A. No, I don't. But we do have plans to go to 24-by-7.

15 Q. Okay. You talked earlier about I think you said  
16 they're moving assets into the McLeod Telephone  
17 Development?

18 A. Right. Into the CLEC.

19 Q. And you talked about a fiber ring. Is that a  
20 redundant?

21 A. Yes. It's a Sonnet fiber ring. There are numerous  
22 fibers that we will either own directly or take  
23 control of. And they are part of the Sonnet fiber  
24 loops that keep the CLECs in a redundant operating  
25 situation. The ILECs have their own fiber rings and

1           there are multiple rings there, and they would not  
2           necessarily be involved with these other two fiber  
3           rings that we're acquiring in the CLEC.

4 Q.       Does the switched access rate change at all?

5 A.       Well, it's going to because I think we have a cost  
6           petition pending, or Dakota has a cost petition  
7           pending before the Commission now. So whatever that  
8           cost report shows will be the rates that we will  
9           charge.

10 Q.      And then that -- will you come in and amend that to  
11           reflect whatever name it ultimately ends up?

12 A.      Yes. We'll be assuming that tariff, and we will  
13           change the name on the tariff. We also would come  
14           back to the Commission if we saw significant change  
15           in the costs, especially if there would be a cost  
16           decrease.

17 Q.      Okay.

18 A.      But at this point our accountants are advising us  
19           that the Part 32 cost purposes, the book value or the  
20           original cost basis of the assets is what's involved  
21           in the determination of the access rates. And so I  
22           really don't anticipate we'll do anything other than  
23           assume what the Commission decides in the current  
24           hearing.

25 Q.      You mentioned a couple of times new products and new

1 services to be rolled out. Such as what?

2 A. We're looking at trying to get high-speed broad-band  
3 service into all of the ILECs. We'll do that one of  
4 two ways. We'll either do that by digital subscriber  
5 line service into some of the ILEC areas or we will  
6 use a wireless technology to basically provide the  
7 same kind of service. The key in my mind is getting  
8 high-speed digital service so that even in the  
9 smaller communities the customers, especially the  
10 small businesses can take advantage of basically  
11 Internet and other high-speed data transfer.

12 Q. You said that would be in the ILEC?

13 A. Yes.

14 Q. Okay.

15 A. Most of the CLEC already has it available through  
16 cable modem service.

17 Q. Are you the money person then or is that Brent?

18 A. The money person?

19 Q. Are you who I ask the money questions of?

20 A. Yes, I am.

21 Q. Okay.

22 A. Unless it relates to the operation.

23 CHAIRMAN BURG: You were right the first time.

24 Q. Which company will have the debt?

25 A. There are two pieces of debt. One is what we call

1 the senior debt which will have a senior lien on all  
2 of the assets. And that will be held in McLeod  
3 Community Services, Inc., which is the old co-op  
4 which is the old Dakota Telecommunications Group. It  
5 will not be held by the ILEC and it will not be held  
6 by the CLEC. There's another piece of debt that we  
7 call mezzanine financing which is a slightly higher  
8 interest rate. And that debt will be held by  
9 PrairieWave Holdings which is the existing company.  
10 And that provides what is known as structured  
11 subordination so that the senior debt, if something  
12 were to happen, would be able to take over the entire  
13 operation and stop any cash payments up to the  
14 subordinated debt.

15 Q. What's the local rate in the exchanges? Is it the  
16 same in every one of them?

17 A. Brent would have to answer that one.

18 Q. Does PrairieWave intend to honor all the contracts,  
19 lease commitments, licenses, and other arrangements  
20 that are currently held by --

21 A. Any one of the three companies?

22 Q. Yes. All those we've been talking about.

23 A. Yes, we do. We are going to do that. We are legally  
24 required to do it because of the way we structured  
25 the transaction. Those agreements all stay in place

1 with the existing corporations. Corporations don't  
2 change. They are an existing legal entity and those  
3 contractual obligations bind them. But beyond that  
4 we've taken the extra step of notifying all of these  
5 third parties and actually signing agreements that  
6 they'll honor their side of the contract and we'll  
7 honor our side of the contract.

8 Q. In talking about EAS -- or ETC, Dakota Community  
9 Service, the ILEC, is that name going to change?

10 A. Yes. That name will change to PrairieWave Community  
11 Service, Inc.

12 Q. Okay. Then under what name will you be applying for  
13 USF?

14 A. PrairieWave Community Service, Inc.

15 Q. So at some point you'll notify the people that  
16 control the USF funds that you've made a name change?

17 A. Right.

18 Q. So that they know -- okay.

19 A. Yes. We've already notified NECA and we will notify  
20 the USF administrator. We also have already notified  
21 the FCC.

22 Q. And then looking at Exhibit I on page five.

23 A. Is this something you wrote, Bill?

24 MR. McCAULLEY: Are you referring to the  
25 Petition?

1 MS. CREMER: Yes. That would be the Petition.

2 Q. Okay. On page five, and it would be subparagraph B,  
3 and in there it's referred to as upon notification of  
4 the closing of the transaction a change of name on  
5 the DCT certificate to PrairieWave Community  
6 Telephone, Inc., and it goes on. But you haven't  
7 been calling it PrairieWave Community.

8 A. Have I been wrong? I've been wrong. It should be  
9 telephone not services. I apologize.

10 Q. I didn't know what needed to be changed, but the  
11 Petition --

12 A. I apologize. And so this is McLeod Community  
13 Telephone, not Community Telephone Services.

14 Q. Okay. And then what notification of this hearing was  
15 made to the subscribers of Dakota Community and  
16 McLeodUSA Telecom Development?

17 A. Again, you would have to ask Brent. PrairieWave did  
18 not do anything special or notify any of the  
19 customers or anything on the McLeod base. We can't  
20 do that yet so Brent would be able to answer that.

21 MS. CREMER: Okay. Thank you. That's all I  
22 have.

23 MR. SMITH: Commissioners?

24 CHAIRMAN BURG: I have a couple.

25 EXAMINATION BY CHAIRMAN BURG:

1 Q. What happens to -- just what status does the Dakota  
2 Telecom original stock have at this point?

3 A. Well, all of that stock was supposed to have been  
4 converted to McLeodUSA stock. Any stock that has not  
5 been converted as of yet, which I understand is very  
6 minimal, either has expired and therefore has no  
7 rights, or can be still submitted and you can obtain  
8 whatever the number of McLeod shares that you were  
9 entitled to in the original deal given all of their  
10 splits and bankruptcy and so forth. But I can't  
11 remember the exact details, but I think probably most  
12 of the rights to exchange that stock has expired and  
13 they've just lost out.

14 Q. None of that will come into the new PrairieWave?

15 A. Oh, no, no. That's an obligation that McLeod keeps  
16 under the prior agreement it had with Dakota  
17 Telecommunications Group.

18 Q. So probably -- this is the last question I wrote  
19 down, so this will not be a publicly held corporation  
20 then?

21 A. No, it will not.

22 Q. Is McLeodUSA made up of only companies that would not  
23 be considered rural exchanges, the one over on this  
24 side?

25 A. Over here?

1 Q. Yeah.

2 A. Well, this company, whether or not these are rural  
3 exchanges or not is -- you would have to almost take  
4 it on a market by market basis. In my mind each one  
5 by itself is a rural exchange. So I would group all  
6 of the markets that we have and call them rural  
7 exchanges. But it depends on what your exact  
8 definition is because Marshall and Yankton are  
9 different and in different states actually than  
10 Viborg or Centerville or Irene.

11 Q. I guess what I'm probably getting at, would all those  
12 companies be non-ETC, non-ETC companies? That's that  
13 what I'm trying to figure out.

14 A. That's a legal opinion, too. In my view this clearly  
15 stays ETC because of the universal service  
16 obligation, and we accept that obligation. In my  
17 view these currently cannot be defined as ETC until  
18 we find a way to serve the farm community. And there  
19 are technologies and methods that we can do that. We  
20 can contract with QWEST for UNE service. We can use  
21 a wireless service or we could build-out ourselves  
22 which is just not practical in today's economic  
23 environment. And we're currently in the planning  
24 processes to balance the advantage of receiving USF  
25 funds against what it would cost to obtain ETC status



1 in many of those markets.

2 Q. I was looking at this. Are there any of the  
3 exchanges outside South Dakota that will be with  
4 PrairieWave?

5 A. Yes.

6 Q. Which ones?

7 A. Well, your list only relates to the exchanges that  
8 are in South Dakota.

9 Q. That's what I was wondering. So you have to get the  
10 same kind of approval or some process at least --

11 A. In Iowa and Minnesota.

12 Q. -- in Iowa and Minnesota. That was one thing I  
13 wasn't clear on whether PrairieWave was just going to  
14 be just a South Dakota exchange company, but it's  
15 not.

16 A. No. The network is constructed so that the Minnesota  
17 and the Iowa markets are -- we're all part of one  
18 operation.

19 Q. Well, are you changing where the actual operations  
20 happen at all?

21 A. No.

22 Q. So it will still be Viborg?

23 A. Yes.

24 Q. And whatever is in Irene?

25 A. Yes.

1 Q. Is there any of that part in Sioux Falls?

2 A. Yes. There is a corporate office building in Sioux  
3 Falls.

4 Q. Will PrairieWave have access and interconnection  
5 agreements with MCI-WorldCom?

6 A. Well, I'm not sure we'd want one.

7 Q. I didn't ask that. I'm not sure we want you to have  
8 one.

9 A. Yes, sir, they will. We will. We are obligated to  
10 common carry, to provide terminating services to all  
11 IXCs. And we will continue to do so as long as they  
12 continue to pay their current bill.

13 Q. If they don't?

14 A. If they don't then I think the entire industry, not  
15 only in South Dakota but across the country has a  
16 problem because I don't see how you maintain a  
17 ubiquitous telephone system unless you can terminate  
18 into every exchange. On the other hand it's not fair  
19 if we take all of those bad debt write-offs and throw  
20 it into our rate base and increase our switched  
21 access rates. That's everyone else subsidizing MCI.

22 Q. You're preaching to the choir here.

23 A. We have a problem.

24 Q. I guess I'd like to take this opportunity to try to  
25 get your feeling on what happens with that because

1 I'm very concerned of what will happen to our  
2 exchanges if they have to continue to provide access  
3 and interconnection and don't know whether they'll  
4 get paid or not.

5 A. Well, I think that first of all the exodus of  
6 customers will kind of take care of that by itself  
7 over time. We'll certainly provide any MCI customers  
8 in our exchanges with long distance service. So from  
9 that standpoint --

10 Q. Why would a customer exit them just because of that?

11 A. Oh, only because they're out of business and people  
12 are shutting down their terminating ability across  
13 the country.

14 Q. I don't think they'll have a choice, will they? Will  
15 they be able to shut it down?

16 A. That's an open question.

17 Q. That's the question.

18 A. Yeah, that is a question. And no company, especially  
19 a rural ILEC, can afford to just terminate anyone's  
20 traffic unless we recover those costs someplace else  
21 in the rate base.

22 Q. Well, I understand a lot of those companies have  
23 contacted the FCC and said --

24 A. Yes.

25 Q. -- we need to do something. And we need to do it now

1 before we get any further. And I haven't heard any  
2 answer from the FCC.

3 A. There is no answer yet.

4 Q. So I guess I'm saying are you going into this thing  
5 at a time when that might be a problem that you would  
6 foresee as well?

7 A. Yes, we are. And we are aware of the problem. We're  
8 aware of the magnitude of the dollars involved.  
9 Currently they have agreed to pay current. We're  
10 classified as a utility in the bankruptcy proceeding  
11 which means we're forced to offer them the service  
12 under bankruptcy law and they should be paying us on  
13 a current basis. And I shouldn't say we. Dakota  
14 is. Now, that whole issue, the difference between  
15 being classified as a utility in bankruptcy and a  
16 critical vendor where all your past amounts should be  
17 paid as well is what's currently being argued in the  
18 bankruptcy court, and that's where the jurisdiction  
19 of the FCC and ultimately the jurisdiction of the  
20 State PUC. There is no precedent for this. There's  
21 never been a bankruptcy like this before.

22 Q. Has the bankruptcy court said -- I can understand  
23 past unpaid bills. We don't know where those fit.  
24 But have they basically said going forward they have  
25 to stay current?

1 A. Yes. By classifying us -- I should say by  
2 classifying McLeod as you a utility, their obligation  
3 is to continue to pay the current charges. But there  
4 is no obligation to pay what's known as pre-petition  
5 debt.

6 Q. Do you see any difference between the CLECs and ILECs  
7 in that classification?

8 A. No. It's the same problem. The costs are the same.  
9 Your recovery under switched access is the same. And  
10 if you can't get it on a batch of minutes because of  
11 regulatory policy you'll have to get it someplace  
12 else.

13 Q. The point I was getting at is the definition of  
14 utility.

15 A. Oh, no. No.

16 Q. I mean, I can imagine that there might be some that  
17 would argue that an ILEC was only a provider of  
18 essential service; CLEC is competitive.

19 A. That depends whether you're a CLEC customer or not.

20 Q. Well, will PrairieWave continue to do the CLEC  
21 build-outs that McLeod's been doing?

22 A. Yes, we will complete Watertown. We will continue to  
23 expand as these markets expand, particularly in the  
24 Lennox, Parker, Tea, Harrisburg area. That's a very  
25 rapidly growing area. We do not currently envision

1 in the business plan entering additional communities  
2 although that is something that we will consider once  
3 the integration is done with the company and we  
4 finish Watertown and some of our other commitments.

5 Q. Let me kind of run through those. I'm interested in  
6 this part. You say Aberdeen is one of the  
7 communities or not?

8 A. No.

9 Q. No, it's not?

10 A. No.

11 Q. Watertown is. Yankton is a build-out, basically  
12 completed in Yankton?

13 A. Yes.

14 Q. I see Madison is on the list. Is it completed in  
15 Madison?

16 A. Yes. It's completed in Madison. By build-out we  
17 mean all the fiber is laid and all the cable is laid  
18 to the neighborhood pedestals. We don't have a drop  
19 into the home unless we're providing services. So  
20 that part is constructed as people sign up for the  
21 service.

22 Q. Those are the major CLECs. I think there's probably  
23 a couple others on there. How many offers do you --  
24 how many communities do you now offer, has Dakota  
25 offered cable service in? All their communities?

1 A. I don't know the answer to that.

2 Q. We can ask Brent.

3 A. Brent will know the answer to that. Right, Brent?

4 CHAIRMAN BURG: That's all the questions I have.

5 A. And he'll continue to know that answer when he's part  
6 of us, too.

7 EXAMINATION BY COM. NELSON:

8 Q. Let's go back to the -- if MCI doesn't pay their  
9 bill. They're supposed to be current. What can you  
10 realistically do about it and at what point do you  
11 pull the plug? If they're a day late? If they're a  
12 week late? I mean, realistically what can you do?

13 A. The general rule of thumb for current payment in the  
14 telephone industries for CABS billing is 45 to 60  
15 days beyond a billing date. If WorldCom -- first of  
16 all, we're going to know whether they're paying  
17 current by the time we close by August 30th because  
18 there's another payment that's due between now and  
19 then. So we have at least some track record of what  
20 they're going to do there. If they don't pay we will  
21 be petitioning -- we'll do one of several things.  
22 We'll petition the FCC to block the traffic. We'll  
23 petition this Commission to block their interstate  
24 traffic and/or we'll petition this Commission to  
25 change -- and the FCC -- to change our access rate

1 because the costs have shifted. And the bad debt  
2 cost from not being able to collect from MCI and  
3 WorldCom would have gone up and would have gone up  
4 substantially for this operation.

5 So it's at that point that we're going to face,  
6 Mr. Chairman, the very situation that you've  
7 indicated. I also know from discussions with the  
8 other -- some of the other ILECs in the state that  
9 they're having the same problem. So this is not just  
10 PrairieWave-Dakota-McLeod alone. And we're going to  
11 have to decide what to do as a community of companies  
12 for the entire state, not just what would be good for  
13 any individual company. But in general bad debt  
14 expense is part of the normal operating expense and  
15 it shows up in the cost study. And this is really no  
16 different than that.

17 EXAMINATION BY CHAIRMAN BURG:

18 Q. Well, and the real problem I see in the even bigger  
19 picture, because MCI-WorldCom is so big, and they had  
20 such a huge portion of, for example, the Department  
21 of Defense contracts and other ones. And it's just  
22 not easy to pull the plug and say we're not going to  
23 complete any traffic that they have. So in that's  
24 the one answer when I get asked by press or somebody  
25 else is what effect it's going to have. We have no



1 control. I'm really concerned about the effect it  
2 will have on the companies we do have control on, we  
3 do work with because they have to have access to  
4 interconnections.

5 A. Yes. WorldCom is one of the bigger IXCs in South  
6 Dakota. And primarily that's because they acquired  
7 Dial-Net which had a lot of the South Dakota  
8 business. So that's just kept ongoing over the last  
9 few years. I have a hard time imagining that the  
10 company will just totally fail in spite of all these  
11 accounting revelations that are coming out.

12 The fundamentals of the long distance business  
13 haven't changed. And while they're not hugely  
14 profitable anymore, they're a huge loss either  
15 anymore. So it's a matter of properly scaling their  
16 operations and all of the costs they have incurred in  
17 anticipation of more demand back to serve their  
18 existing customers. So I actually think it's far  
19 more likely that they will survive bankruptcy and  
20 come out a more viable company than we'll face the  
21 situation we're talking about.

22 Q. If they don't find a few more billion.

23 A. I don't think it even matters because they come out  
24 of bankruptcy with a clean slate and they provide  
25 service. They have one of the best networks in the

1 country. There's no question about that. So I know  
2 there's a viable business there. They haven't called  
3 me.

4 Q. Probably my biggest concern is that the pace FCC  
5 usually moves, or even SEC, or the courts, that we're  
6 going to have some people in trouble by the time they  
7 get to the cite and how it will be handled.

8 A. Yes. And I would expect all of the ILECs will come  
9 in with amended cost studies because of this if they  
10 don't pay current.

11 EXAMINATION BY COM. NELSON:

12 Q. I think QWEST indicated the other day that there  
13 might be one hundred million dollars that they're  
14 looking at a loss. And I think some of the companies  
15 said state-wide the network is looking at maybe  
16 fourteen million dollars. Today it was interesting I  
17 got telemarketed by MCI and interesting enough they  
18 said their possible highest rate would be five cents  
19 a minute, their lowest rate was two and a half cents  
20 a minute and there were no monthly surcharges. I  
21 mean, we're talking about a company that's in  
22 bankruptcy. And I said to this guy, I said, doesn't  
23 seem like you're going to be figuring out how to pay  
24 your bills if you're selling stuff cheaper than  
25 anybody else in the state.

1 A. That never made any sense.

2 Q. And it doesn't seem to be a good business plan now  
3 either.

4 A. No. Now they're hamstrung because of the FCC rules  
5 that require uniform charges across the United  
6 States. And we in South Dakota have taken advantage  
7 of that because the fact is that a lot of our  
8 customers on MCI pay less than what we charge for  
9 switched access. And that's part of what the problem  
10 with their business plan is.

11 I remember about ten years ago arguing in front  
12 of this same Commission that it's a question of where  
13 do you want this cost averaging to take place. You  
14 want it on a national level, state level, the county  
15 level, the company level? The FCC resolved that as a  
16 national level for interstate calling and the  
17 Commission resolved that as the state level for  
18 interstate carriage. And so that's how the industry  
19 has developed.

20 But the truth of the matter is that it costs  
21 more to terminate switched access in South Dakota  
22 than it does in other states. And you've seen the  
23 cost studies. And the costs, I mean, those are the  
24 costs. And the country either subsidizes the higher  
25 cost areas or it foregoes the benefit of the

1 advantages of a complete ubiquitous network. And  
2 what we're talking about here is a current ubiquitous  
3 network that's unraveling at the seams because of  
4 other business measures. But, again, I think the  
5 most likely case is MCI emerging with its long  
6 distance service intact, whether that's acquired by  
7 somebody else or whether that's still run by them.  
8 And hopefully we don't face a problem of actually  
9 having to block traffic. But the truth is we can  
10 block the traffic.

11 EXAMINATION BY COM. SAHR:

12 Q. What sort of oversight, either on the federal or  
13 state level, would have helped prevent this or would  
14 have helped prevent it going forward?

15 A. The WorldCom situation?

16 Q. Yes.

17 A. I don't think there's anything that can or should  
18 have been done on the telecom regulation end. I  
19 think that was pretty well monitored. Where they got  
20 into trouble was trying to satisfy the stock market  
21 and the overall profitability margins that the  
22 analysts were expecting in order to support their  
23 stock price. I know Scott Sullivan personally. He  
24 worked on the transactions when Dial-Net was  
25 acquired. I remember telling Tim Yeager and some

1 other people that I just -- who also know Scott. We  
2 just couldn't believe he would do anything like that.  
3 And with the subsequent revelations we're even more  
4 shocked.

5 I can understand a capitalization policy. I  
6 mean, that's a gray area. But not to the extent that  
7 where you're just deliberately moving costs in order  
8 to meet a certain margin. That's financial fraud.  
9 So I'm just astounded that he did it. But it  
10 happened. He's not convicted yet so maybe there's  
11 more to the story than we know from what we get from  
12 the press and from the SEC, and so forth. But I do  
13 not believe that there's anything that this  
14 Commission could have done or the FCC could have done  
15 that would have made any difference in what happened  
16 there.

17 Q. Is there anything different than you think we should  
18 be doing going forward to avoid these sort of  
19 problems?

20 A. Well, there's a number of things that should be done  
21 on the SEC level, yeah, and are being done. I think  
22 the act that the President signed that made a number  
23 of legislative changes is good. I don't necessarily  
24 agree with the CEO certifying the statements but --

25 MR. BURG: I can't imagine why not.

1 A. Who's going to be CFO?

2 Q. Are you changing your title?

3 A. Just because it's -- especially I can imagine in the  
4 large corporation how would you know what's going on  
5 in the accountings. You assume the CFO is taking  
6 carry of that. And probably Bernie Everest presumed  
7 the same thing at WorldCom. I don't think that's  
8 something that telecom regulation can fix.

9 And the other way would be to go back to  
10 complete regulation of long distance. And I don't  
11 think we want to go back down that path. The added  
12 cost of doing that is probably more even than the  
13 failures that we've had in the existing system with  
14 the financial oversight by the SEC and the other  
15 accounting bodies.

16 So I think it's an unfortunate situation. I  
17 think people got caught up in the greed of the  
18 market. And a lot of people suffered because of  
19 that. And those people are being caught, and they're  
20 being arrested, and I think the system is basically  
21 working. And the improvements that have been made  
22 should strengthen that.

23 CHAIRMAN BURG: Let me ask one more  
24 philosophical question.

25 EXAMINATION BY CHAIRMAN BURG:

1 Q. If you were allowed -- if you were allowed to cut off  
2 a service, stop it, of course that would be the  
3 quickest way to end it. They would lose their  
4 customers because they couldn't complete calls,  
5 et cetera. Would that be a good thing in the  
6 business to get it all out, to get it so we don't  
7 have hemorrhaging someplace else?

8 A. I tell you, Mr. Chairman, that's a difficult one for  
9 us because that's our customer. So now we've cut his  
10 mother off from calling him. So it's not an easy  
11 decision for us to just decide we're going to block  
12 traffic. If we are going to block traffic we would  
13 run a recorded announcement that would say that  
14 you're calling over the MCI-WorldCom network.  
15 They've not been paying their bills and therefore we  
16 cannot complete your call.

17 Q. Probably looking at the bigger picture. Can the  
18 country handle them disappearing on that basis? Of  
19 course somebody else would buy up the assets and you  
20 would still have the fiber and the lines being  
21 operated.

22 A. That's right. Well, currently there is surplus  
23 capacity with Sprint, AT&T.

24 Q. They both said they could absorb everything.

25 A. Absolutely. Level three could probably do it, too,

1 if they wanted to. So I'm not concerned in the long  
2 run that this could straighten itself out. There  
3 will be a huge disruption when any policymaker  
4 decides it's okay to start blocking traffic. And  
5 that may be where we will have to go in order for  
6 this Commission's authority and responsibilities to  
7 be recognized by the federal bankruptcy court, for  
8 example. But I certainly hope we don't get into that  
9 situation.

10 MR. SMITH: I have a couple of questions.

11 EXAMINATION BY MR. SMITH:

12 Q. Does the transaction have to get the blessing of the  
13 bankruptcy, the McLeod bankruptcy?

14 A. McLeod's out of bankruptcy so the bankruptcy court is  
15 no longer needed. What is needed is an official  
16 release from their financing, their major banks,  
17 which I believe is held by J.P. Morgan. And we  
18 already have that consent.

19 Q. Is there a document?

20 A. The document's confidential. But we'd certainly be  
21 willing to provide it on a confidential basis.

22 Q. Okay. I would appreciate that.

23 A. That document, by the way, won't get signed until the  
24 closing.

25 Q. Were there any -- are there any conditions as -- are



1           there any conditions related to that document?

2 A.    No.  It's entirely within McLeod's discretion to sell  
3           their non-core assets.

4 Q.    This is a non-core asset?

5 A.    It's specifically described as a non-core asset.

6 Q.    Are all of the local exchanges in which you're a  
7           CLEC, are they all QWEST ILECs?

8 A.    No.  Although, and again you would have to check with  
9           Brent, the ones in South Dakota might all be QWEST.

10 Q.   That's what I'm talking about.

11 A.   Yes.  That might be the case.  Brent would know  
12           that.  But we also operate in Frontier communities in  
13           Minnesota which has now been acquired by Citizens.  
14           But I think in South Dakota it's all QWEST.

15                   CHAIRMAN BURG:  I think so.

16 Q.    Actually it was your attorney who brought up the  
17           issue of Davis, which Exhibit G contains the list of  
18           ILECs and CLEC exchanges.  Which list is Davis on?

19 A.    ILEC.

20 Q.    It's an ILEC.

21                   CHAIRMAN BURG:  Let me ask one.

22                   EXAMINATION BY CHAIRMAN BURG:

23 Q.    Do you have to get FCC approval for this?

24 A.    Yes, we do.  We made a Section T-14 application.  And  
25           we have approval, I believe, on -- was it domestic

1 approval today?

2 MR. HEASTON: Today.

3 EXAMINATION BY MR. SMITH:

4 Q. In terms of -- back in the Petition it states that  
5 the DCT operates the incumbent local exchanges and  
6 MTT the CLEC exchanges. What I understood that to  
7 mean then is that basically on this list of exchanges  
8 that if I were to write at the top of there Dakota  
9 Community Telephone, those are the ones that are  
10 called incumbent exchanges that are -- instead of  
11 operated, are they owned and operated --

12 A. Yes. They're owned and operated by this one.

13 Q. Maybe I'm asking that because I may have to write the  
14 order here. And I think actually Mr. McCaulley  
15 pretty well covered this, but just again so I know  
16 how generalized we can make the findings here. Are  
17 there any differences at all between the way that  
18 this transaction will affect any particular exchange  
19 within our jurisdiction within South Dakota?

20 A. No.

21 Q. So everything will be precisely the same in terms of  
22 the transaction at least what will affect it?

23 A. From the customer standpoint it should be transparent  
24 except for the brand name. One possible exception  
25 would be Watertown where we are ready to roll the

1 plows as soon as we close so we can develop as much  
2 as we can this year before the weather closes us  
3 down.

4 Q. There won't be any adverse changes anywhere as a  
5 result of this transaction?

6 A. Not that I'm aware of.

7 Q. So there's no reason in the order that we have to  
8 differentiate or carve out any special conditions for  
9 any particular community as far as you're concerned?

10 A. No.

11 MR. SMITH: I think that's about it. Just a  
12 second here.

13 (BY MR. SMITH:)

14 Q. Will the documents that we haven't seen, the  
15 Commission hasn't seen those; are there documents  
16 that will give us a little better flavor for the way  
17 the financing is going to work here?

18 A. Yes.

19 Q. I'm assuming that's imminent.

20 A. What is in there is a generic description pretty  
21 similar to the testimony that I've given you this  
22 evening. We do have copies of the signed commitment  
23 letters, but those have to be viewed in a  
24 confidential basis. I'm not authorized to release  
25 them. They could be viewed tonight if you wish. We

1           could provide them to you as long as they were kept  
2           confidential.

3 Q.    If the Commission were to issue its order with one of  
4           the conditions being that the commitments who were  
5           actually funding, in fact, whatever the level is,  
6           that they have to be --

7 A.    That this won't happen unless they do that?  Yeah, it  
8           would be.  It would be.

9 Q.    It would be a problem?

10 A.   It would be a problem, yeah..  They would like to not  
11           see that condition.  The fact is that the final  
12           break-down of which bank provides which dollars of  
13           funds won't be agreed to until the last minute.

14 Q.   What if they weren't specific as to that?

15 A.   Essentially what you would be saying is that we agree  
16           so long as it closes.  And that's fine.  I mean,  
17           Minnesota -- what Minnesota does is it says we agree,  
18           but you need to provide us a notice that the  
19           transaction was completed within 60 days, 30 days.

20                   MR. HEASTON:  Ten days.

21 Q.   And that's because the sale agreement makes close --  
22           makes obtaining X dollars worth of financing a  
23           condition.  I'm trying not to say the amount because  
24           I assume that's confidential.

25 A.   That's highly confidential.

1 Q. And, lastly, do the documents that we haven't looked  
2 at yet, do those contain any kind of pro forma cash  
3 analysis?

4 A. There is a pro forma balance sheet that we provided  
5 with the original filing.

6 Q. I've got that. Is there a cash flow analysis?

7 A. No, there is not. There is obviously a very  
8 significant forecasting model that we've developed to  
9 make sure we meet all the covenants and so forth.  
10 That is highly proprietary. I can tell you that we  
11 do meet all the covenants that are in our commitment  
12 letters and that we do so rather easily at this  
13 point.

14 Q. Without a cash flow -- pro forma cash analysis, how  
15 can we make a judgment as to whether your  
16 capitalization is adequate?

17 A. Was the Commission provided with the financial  
18 statements for Dakota's operations? It was? In  
19 Exhibit C-1.

20 Q. Those are the historical --

21 A. Yes. Yes. There's a 12-month historical performance  
22 on an income statement basis which is what you would  
23 determine cash flow from for both the CLEC and the  
24 ILEC.

25 Q. And will the cost side of that income statement

1 remain essentially materially the same following the  
2 transaction?

3 A. Yes. Through the gross margin it will remain  
4 almost -- well, certainly would be materially the  
5 same. On the operating cost side there will be some  
6 additional costs that we bring because we bring in a  
7 senior management team. However, that's offset by  
8 allocations that come down from McLeod for overhead  
9 allocations. And in our analysis the added costs  
10 that we add is less than the costs that McLeod  
11 allocates out. So I can push it to that extent, I  
12 guess.

13 Q. What about the cost of capital? Is that materially  
14 different or is that the same thing?

15 A. Well, our cost of capital is, boy, that's a  
16 complicated question. First of all, I haven't  
17 calculated McLeod's cost of capital after  
18 bankruptcy. So I don't know what theirs is. I do  
19 know that they've been funding these operations  
20 mostly by throwing cash out and not funding any new  
21 cash in. Although they spent a significant amount of  
22 dollars billing out the exchanges over the past few  
23 years. All that money has been funded internally and  
24 their funding like ours happens at a much higher  
25 level so it's hard to know where these operations,

1 what the cost of capital is. I know what the cost of  
2 capital is for PrairieWave. And I know that the  
3 return that is being asked by our equity investors is  
4 handily provided by these operations without drawing  
5 cash out that McLeod has been drawing out.

6 So when you look at the operations here and look  
7 at what the net income line is and look at what the  
8 cash flow is, this has been gone through in great  
9 detail by our equity advisors and our banks. And  
10 it's proven adequate to them to provide the return  
11 that they want to make the investment.

12 Q. I see. I guess one last summary question here and  
13 then I'm going to be quiet, Mr. Chairman. Do you  
14 testify under oath that the financing arrangements  
15 that you have made will be adequate to provide an  
16 adequate access to cash and working capital to  
17 maintain a viable business?

18 A. Absolutely. Without any hesitation. The agreement  
19 itself requires that we have a positive five million  
20 dollars in working capital. And to that we're going  
21 to add three to four million dollars worth of cash.  
22 So I can tell you that much. But I have no  
23 hesitation at all in stating that these exchanges  
24 will be well run from a financial standpoint and more  
25 than adequately funded.

1 MR. SMITH: I have nothing else.

2 COM. NELSON: I have a couple of questions.

3 EXAMINATION BY COM. NELSON:

4 Q. In some of the other sale of exchanges we've required  
5 as a condition of sale that they not raise rates for  
6 eighteen months. Would that be okay?

7 A. I don't ever intend to raise rates personally. I  
8 think that -- I think that what is much more likely  
9 to happen is that we'll have a new kind of service  
10 that will be charged on a different basis, for  
11 example, Voice Over IP. You wouldn't charge that by  
12 the minute anymore. You wouldn't -- maybe make a  
13 flat charge for that. But the cost of providing that  
14 service is so different that even though it's the  
15 same service from the consumer's point of view the  
16 pricing would be different on it. So I don't -- I  
17 don't see where -- we certainly have no plans, and I  
18 see no need at this point to increase any rates.

19 Q. Do you plan to recover any of your acquisition costs  
20 through interstate or intrastate rates, and are there  
21 any?

22 A. Oh, yeah, there are plenty of costs. The costs are  
23 fully funded by the equity. The equity is taken into  
24 consideration when they make their investment into  
25 PrairieWave, the holding company at the top, and have



1 determined that the income and cash flow from these  
2 businesses is more than adequate to provide them with  
3 an adequate return.

4 Now, dollars are fungible when you're looking at  
5 bottom line cash flow. And it's hard to tell did I  
6 use that USF funding to build that fiber loop or did  
7 I use that to provide return to the equity investor?  
8 I would argue that all of that money's invested in  
9 our plan first and then whatever is left over is what  
10 goes to the equity investor.

11 In that sense I would answer your question no.  
12 We would not be using those funds to provide return  
13 to our investor. The fact is it all gets thrown into  
14 the same pot. We take out all of the requirements  
15 for running and improving and maintaining the systems  
16 and then whatever is left over is available to  
17 provide a return to our investors. Our investors do  
18 not expect that they will get current returns.  
19 They're in it for the long-term. We expect that we  
20 will be reinvesting most of the cash back into the  
21 system.

22 COM. NELSON: Thank you. That's all.

23 CROSS-EXAMINATION BY MS. CREMER:

24 Q. I just wanted to clarify when he was talking on  
25 Exhibit C-1, and that's confidential. I'm sure you

1 know that.

2 A. Yes.

3 Q. Just to make clear that the Commission understands,  
4 all that financial information is solely the CLEC;  
5 nothing's been submitted for the ILEC. Isn't that  
6 true?

7 A. Oh, this exhibit is just the CLEC?

8 Q. Right. And we've never received anything on the  
9 ILEC.

10 A. Is that true? I know we can provide it.

11 Q. I thought we had asked before and we've never gotten  
12 anything on that.

13 A. PrairieWave has no objection to providing it on  
14 exactly the same type basis.

15 Q. Well, and then while you're looking at that C-1, and  
16 just when you look at January, February, and March,  
17 the numbers -- let's see, the income statement  
18 monthly for the period ending May 31, 2002.

19 A. Uh-huh.

20 Q. We're on the same, under revenues, local and long  
21 distance, that top line.

22 A. Uh-huh.

23 Q. And it's more a curiosity factor on my part.

24 January, February, and March are the exact same  
25 number right down to the penny.

1 A. Uh-huh.

2 Q. How is that?

3 A. That was because they couldn't get accurate revenue  
4 determinations from their billing system at the time.

5 Q. So those numbers would be different?

6 A. Those numbers should be different.

7 Q. Okay.

8 A. But it was solved and was made up for in the  
9 subsequent months. So they made an adjustment and  
10 they just averaged it across the other months.

11 Q. Okay.

12 A. Now, by the way we will be putting in a new billing  
13 system. That's why Eugene McCord is part of our  
14 management team. He put in the billing system at  
15 Dial-Net and he helped Dakota with its new billing  
16 system and now he gets to do it a third time here in  
17 South Dakota. And that will provide us with much  
18 more level process than is currently provided and  
19 we'll also be installing a new accounting system,  
20 too. But from -- as I look at that I'm almost  
21 certain that's what happened in this matter. Now,  
22 would the Commission like, and the staff like this  
23 same information for the ILEC?

24 MS. CREMER: I believe -- didn't we want to look  
25 at that? We know we wanted it before.

1 CHAIRMAN BURG: We probably should.

2 THE WITNESS: Can you make a note of that? It  
3 will be in identical format.

4 MS. CREMER: Okay. I'm done.

5 MR. SMITH: Mr. McCaulley, do you have any  
6 redirect?

7 MR. McCAULLEY: Yes. If the Commission permits  
8 I have just two -- one area just quickly to follow up  
9 on.

10 REDIRECT EXAMINATION BY MR. McCAULLEY:

11 Q. On cross-examination you testified that there are two  
12 other states that PrairieWave is attempting to  
13 acquire exchanges in.

14 A. Yes.

15 Q. Minnesota and Iowa. Is that correct?

16 A. Yes.

17 Q. If you know, can you give us the status of those in  
18 terms of the regulatory status of the approval?

19 A. Yes, I believe Iowa has approved the transaction. I  
20 saw that order. Minnesota has -- I believe it's on  
21 their consent docket for it's either this week or  
22 early next week. In other words, in Minnesota they  
23 have a separate staff and it's physically separate  
24 from the PUC. It's gone through the staff and it's  
25 over on the PUC calendar which the consent calendar

1 is one they move all at once. And that's as we have  
2 our approval.

3 MR. McCAULLEY: Thank you. I have no further  
4 questions.

5 MR. SMITH: Staff?

6 MS. CREMER: None.

7 MR. SMITH: Commissioners?

8 CHAIRMAN BURG: No.

9 MR. SMITH: You're excused, Mr. Anderson. Thank  
10 you very much.

11 (Witness excused.)

12 MR. SMITH: Mr. McCalley, please call your next  
13 witness.

14 MR. McCAULLEY: Thank you. Petitioners would  
15 like to call Mr. Brent Norgaard, please. This one  
16 would be shorter.

17 BRENT NORGAARD,  
18 called as a witness, being first duly sworn,  
19 testified and said as follows:

20 DIRECT EXAMINATION BY MR. McCAULLEY:

21 Q. Mr. Norgaard, how are you tonight?

22 A. I'm just wonderful. Thank you.

23 Q. Would you please spell your name and provide your  
24 business address for the record, please?

25 A. Yes. My name is Brent Richard Norgaard. B-R-E-N-T,

1 R-I-C-H-A-R-D -- I haven't had to spell that for a  
2 while -- N-O-R-G-A-A-R-D. My business address is  
3 5100 South McLeod Lane, Sioux Falls, South Dakota  
4 57108.

5 Q. And you're presently employed by McLeod. I'd like  
6 you to talk a little bit about your educational and  
7 occupational background leading up to your present  
8 employment with McLeodUSA.

9 A. I would be glad to. I grew up in a small town  
10 actually and so this operation is very -- I have a  
11 lot of interest in this because just being familiar  
12 with small towns. I grew up in Harlan, Iowa.  
13 Graduated from high school there and attended Iowa  
14 State University. Graduated with a Bachelor of  
15 Science degree in electrical engineering in 1985. I  
16 don't have the long list of credentials that  
17 Mr. Anderson has as attorney and CPA and lawyer and  
18 all those things, but I've been in the  
19 telecommunications business for sixteen years. I was  
20 a general manager of an operation in Des Moines  
21 called MWR Telecom. And in 1986 an operation --  
22 yeah, excuse me, in the early '90s that operation was  
23 acquired -- '92 that operation was acquired by  
24 McLeodUSA. And I joined that staff then. So, excuse  
25 me, it was 1995. Joined McLeodUSA then and I've held

1 various roles at McLeodUSA in network design, network  
2 deployment, and sales and marketing.

3 Q. And your present position with McLeodUSA?

4 A. I'm the vice-president and general manager of the  
5 Dakota's operation.

6 Q. And what is your expected role in PrairieWave  
7 Communications?

8 A. I've accepted a position of being vice-president and  
9 chief operating officer of the company.

10 Q. What will that role involve?

11 A. Very similar to my role today. I have  
12 responsibilities for marketing and sales, customer  
13 care, including customer service, service, delivery,  
14 credit and collections, billing, also accounting,  
15 network. That covers it all.

16 Q. All right. Thank you. Could you talk a little bit  
17 about the hardware that's located in each of the  
18 exchanges? Could you briefly describe the condition  
19 of each exchange being purchased by PrairieWave  
20 Communications? And before you start with your  
21 answer feel free to make generalizations as  
22 applicable to these exchanges, and if there are  
23 differences point those out to the Commission.

24 A. Thank you. I can do that. We have a central  
25 switching center located in Viborg, South Dakota.

1 That switching center is connected to all of our  
2 remote locations and ILEC communities over a one  
3 hundred percent fiberoptic diverse network, carried  
4 by Sonnet signal, and there's one hundred percent  
5 route diversity on those. If there was a cable cut  
6 on any one location the sonnet signal would  
7 automatically switch to route the equipment to the  
8 other direction and all of our ILEC communities would  
9 continue their service. Each of the communities have  
10 its own switch or remote switch -- excuse me -- and  
11 then obviously the distribution of copper, and in  
12 some markets co-dex.

13 Q. What in terms -- would it be fair to classify the  
14 equipment in the exchanges as modern state-of-the-art  
15 telecommunication equipment?

16 A. Yes, it is. All the transport equipment that I  
17 mentioned is state-of-the-art equipment. We are in  
18 the process of upgrading our ILEC communities to have  
19 fiber in the loop all the way out to the  
20 neighborhoods. And that is in the process. That's  
21 about one-third done. And we will complete the final  
22 two-thirds over the next five years.

23 Q. How will the state-of-the-art telecommunication  
24 services that you have right now, how will that help  
25 promote economic development in these exchanges?



1 A. Well, I can tell you one of the major things that new  
2 businesses look for when they're looking at business  
3 development in a market is state-of-the-art  
4 communication. Communications has become such a  
5 vital part of how businesses communicate and work.  
6 High-speed Internet and state-of-the-art telephone  
7 services and features are vitally important. So the  
8 fact that we have services and systems in place to  
9 support economics, the growth in these communities is  
10 a plus to these markets.

11 Q. How, too, will those same telecommunication or  
12 state-of-the-art services help promote telemedicine?

13 A. Again, telemedicine again is used, as is  
14 telecommunications, in a larger role as we go  
15 forward. And the fact that we have the  
16 state-of-the-art telecommunication services in place  
17 and available for use, that's a way to enhance and  
18 further the deployment of telemedicine in our  
19 markets. We have a consultant that we work with that  
20 has been promoting telemedicine, telecommunication  
21 services, and we haven't had any takers obviously in  
22 the health systems that are in place in our markets  
23 where we serve. Obviously they're using our services  
24 in those incumbent services and using some of the  
25 state-of-the-art facilities, but we don't have a

1 comprehensive telemedicine plan in place. We've been  
2 working with some of the major health centers in  
3 Sioux Falls, but we don't have any comprehensive  
4 system in place.

5 Q. But would the existing system, the existing  
6 telecommunication hardware, that could support the  
7 telemedicine operation?

8 A. Absolutely. All the systems are from the structure.

9 Q. How about distance learning? Would the existing  
10 technology that is there in each of the exchanges,  
11 would that support distance learning initiatives?

12 A. Absolutely. In thirteen of our markets, primarily in  
13 the ILEC markets, we have full motion, interactive,  
14 two-way video conferencing services in place. And  
15 it's been in place for several years and continues to  
16 be used. And we have the capability of doing that in  
17 any of our markets.

18 Q. So let me just make a general summary statement  
19 here. In all the exchanges then the capability is  
20 there to provide for telemedicine and distance  
21 learning?

22 A. Yes. Correct.

23 Q. Is that correct?

24 A. That's correct.

25 Q. All right. Thank you. Are there any plans -- in

1 your role in PrairieWave Communications are there any  
2 plans to reduce or limit the range of services that  
3 are presently being provided in these exchanges?

4 A. No. Absolutely not. We're going to continue to  
5 provide the services that we have. We offer phone to  
6 local and long distance telephone service, cable TV  
7 services, dial-up Internet access services, and  
8 high-speed cable modem access services, and private  
9 lines specialized services for business, and we will  
10 continue to do so with PrairieWave.

11 Q. And in addition to those current services that  
12 you're -- that McLeod is offering, and you just  
13 testified that you aren't planning on reducing, what  
14 is the capital investment plan for PrairieWave for  
15 additional investment in each of these exchanges?

16 A. In our ILEC communities our capital plan over the  
17 next five years is to spend \$1.2 million across the  
18 fourteen communities and nine exchanges in upgrades  
19 to facilities and the roll-out of new products.

20 Q. Can you give me examples of some of those new  
21 products or additional services or enhanced services?

22 A. Mr. Anderson touched on those, but digital subscriber  
23 line services which is a form of high-speed Internet  
24 access using telephone lines is one of those that we  
25 have on the table right now. Digital cable TV

1 services. Those are two of the services that are on  
2 the plans right now.

3 Q. Explain the commitment of PrairieWave Communication  
4 to high speed band in rural South Dakota.

5 A. Our goal is to be able to provide high-speed Internet  
6 access to any one of our customers located in our  
7 communities. Obviously it's a challenge to be able  
8 to provide high-speed Internet out to the rural  
9 areas. We have some limitations there. We are  
10 committed to carrying that high-speed Internet as far  
11 as out into the network as practically possible.

12 Q. Do you presently offer or does McLeodUSA presently  
13 offer dial-up Internet services in all of the  
14 exchanges?

15 A. That's correct.

16 Q. Is that local call or long distance?

17 A. It's all local calling from all of our markets that  
18 we serve in South Dakota.

19 Q. Will PrairieWave continue that offering?

20 A. Correct.

21 Q. If the sale is not approved do you have any idea what  
22 McLeod plans on doing with the exchanges?

23 A. I know that McLeodUSA's plan would be -- since this  
24 is a non-core operation to McLeod's business plan  
25 that we would do -- McLeodUSA would perform the

1 minimum requirements as culled out in our  
2 requirements to be a local exchange carrier in the  
3 State of South Dakota.

4 Q. When you say the minimum requirements, what would  
5 that mean with regard to future capital investment in  
6 these exchanges?

7 A. Minimal capital investment. It would be just to  
8 maintain the existing plant. The upgrades that I  
9 mentioned before would be put on hold. The new  
10 products that we discussed would be put on hold.

11 Q. Finally, can you just explain briefly why you believe  
12 this sale is in the best interest of the public and  
13 the customers serving these exchanges?

14 A. Mr. Anderson touched on that in his comments. I  
15 fully believe that this is in the best interest of  
16 our communities, our customers, and our employees.  
17 McLeodUSA is providing service across 25 states over  
18 a million telephone lines, approximately 500,000  
19 customers. And their focus is broad and wide.

20 And the fact that we're a non-core asset in the  
21 system division to McLeod really limits our ability  
22 to get and fight for capital, to do the things we  
23 need to do here to enhance services. The fact that  
24 PrairieWave -- this is their sole business. This is  
25 the business that they believe in and this is all

1 they're doing. We're in 36 markets across the small  
2 geographical area. With this as its core business  
3 plan I'm certain we'll get the attention, the  
4 customers, and the markets. We'll get the attention  
5 that they deserve and maintaining and upgrading and  
6 enhancing services we offer today.

7 MR. McCAULLEY: Thank you. No further  
8 questions.

9 MR. SMITH: Ms. Cremer?

10 MS. CREMER: Thank you.

11 CROSS-EXAMINATION BY MS. CREMER:

12 Q. Mr. Norgaard. Do you know, do all these exchanges  
13 have schools?

14 A. No, they do not. Not all of them. There are a few  
15 that have grade schools only. There are some that do  
16 not have schools. I have a list of those in here.

17 Q. I guess basically my question is is it a toll call  
18 for the students to call their school?

19 A. No, it is not. In fact, in our CLEC market of Elk  
20 Point, Elk Point Jefferson are a joint community  
21 school. And that was a toll call prior to our  
22 involvement and over-build of Elk Point. And we  
23 worked with the phone company in Jefferson to make  
24 that a local call between those two communities.

25 Q. And that will remain that way?

1 A. That's correct.

2 Q. Do you know what the current customer service hours  
3 are?

4 A. Yes, I do. Monday through Thursday they operate from  
5 7:00 to 6:00. Friday is from 8:00 to 5:00. Saturday  
6 from 8:00 to 4:00 and we're closed on Sunday. But  
7 all of our calls are answered 7-by-24-365 outside of  
8 those hours that I mentioned. All the calls roll to  
9 our operating division which operates  
10 7-by-24-by-365. And they all have access to our  
11 on-call technicians. So if there's any kind of an  
12 outage or repair that's needed they can page out our  
13 technicians that can go make the repair. If it's a  
14 lifeline service we'll dispatch somebody  
15 immediately. If it's a non-essential service  
16 typically we'll wait until the next business day.

17 Q. Are your trouble reports currently handled or will be  
18 handled in the future by someone actually answering  
19 the phone or is it a leave a message menu type? How  
20 is that going to work?

21 A. That's a great question. All of our calls are  
22 answered by a live body. Our customer service center  
23 here in Viborg or the operator services division in  
24 Sioux Falls answer with a live voice 7-by-25-by-365.  
25 And that will continue. Our Internet tech support

1 group operates under a little bit different hours.  
2 They work from 6:00 a.m. until 12:00 p.m. They're  
3 off from 12:00 a.m. to 6:00 a.m. And the customer  
4 will receive a voice mail message or a voice  
5 mailbox. As soon as they have the option in that  
6 message box to page out our on-call technician will  
7 return the call in fifteen minutes.

8 Q. Is the local rate the same in all of the exchanges?

9 A. To my knowledge it is.

10 Q. And what is that rate?

11 A. I believe that's thirteen seventy-five.

12 Q. Does that include vertical features?

13 A. What do you mean by that?

14 Q. Caller ID, call waiting?

15 A. No. That's just for basic service. The features  
16 would be an additional cost on top of that.

17 Q. Is there any difference in rate between a rural rate  
18 and a city rate?

19 A. No, there's not.

20 Q. What notification of this hearing was made to the  
21 subscribers of Dakota Community Telephone and  
22 McLeodUSA Telecom Development?

23 A. There was a press, joint press release released on  
24 the date of signing of the agreement. We have put a  
25 bill stuffer in the bills that went to customers to



1       notify them of the pending sale. And that was done  
2       over the last -- in the last 45 days.

3 Q.    But was there anything about this hearing in  
4       particular?

5 A.    Oh, no.

6 Q.    Okay.

7 A.    Sorry.

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

9               MR. SMITH: Members of the Commission?

10              CHAIRMAN BURG: I have just one.

11              EXAMINATION BY CHAIRMAN BURG:

12 Q.    When McLeod went into bankruptcy how many people in  
13       South Dakota were laid off, do you know?

14 A.    Well, none of them are directly related associated  
15       with the bankruptcy Chapter 11 filing. We have had  
16       layoffs as a result of our business needs. So we've  
17       had two rounds of layoffs. One was in July of 2000,  
18       excuse me, and then we've had one more in 2000. And  
19       total number affected in those two layoffs was  
20       approximately 45.

21 Q.    How many here in Viborg?

22 A.    I don't know the answer to that.

23 Q.    Do you know, will there be some rehiring, some new  
24       hiring because of this transaction?

25 A.    We anticipate that. In fact, right now we have about

1 ten openings. And there are openings right now in  
2 Viborg and in Sioux Falls for customer care reps,  
3 service delivery personnel. And we are advertising  
4 for those right now. We do anticipate as we continue  
5 to add customers to the customer base that we will  
6 add customer service staff to support those  
7 customers. So we do anticipate additional staff as  
8 we move forward.

9 MR. SMITH: Mr. McCaulley?

10 MR. McCAULLEY: Just one follow up.

11 REDIRECT EXAMINATION BY MR. McCAULLEY:

12 Q. If PrairieWave Communications is able to acquire the  
13 stock in this company do they have plans to layoff  
14 any additional employees presently employed in these  
15 two companies?

16 A. Absolutely not. Any loss of employees would be  
17 performance based only, but none of them are  
18 associated -- we have no planned reductions in force.

19 MR. McCAULLEY: Thank you. Nothing further.

20 MR. SMITH: Ms. Cremer?

21 MS. CREMER: I have nothing.

22 MR. SMITH: You're excused.

23 (Witness excused.)

24 MR. SMITH: Do you have more additional  
25 witnesses?

1 MR. McCAULLEY: I have no further witnesses.

2 MR. SMITH: Staff, do you want to proceed or do  
3 you want to take a short break and give the court  
4 reporter a slight rest?

5 MS. CREMER: Yes, we can do that.

6

7 (A recess was taken.)

8

9

HARLAN BEST,

10 called as a witness, being first duly sworn,  
11 testified and said as follows:

12 DIRECT EXAMINATION BY MS. CREMER:

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

14 A. My name is Harlan Best. Business address is State  
15 Capital Building, Pierre, South Dakota 57501.

16 Q. And would you summarize your education and work  
17 experience, please?

18 A. I graduated from the University of South Dakota in  
19 May of 1975 with a Bachelor of Science degree in  
20 business administration majoring in accounting. I  
21 received my public accountant's license in July of  
22 the same year. I commenced employment with the South  
23 Dakota Public Utilities Commission in October of 1975  
24 as a utility analyst. I was named the deputy  
25 director of its utilities division in April of 1987.

1 In July of 1998 the Commission restructured the  
2 organization and eliminated the deputy director  
3 position. I have been a utility analyst since that  
4 time. I have attended a number of seminars and  
5 workshops related to utility matters since my  
6 employment with the Commission.

7 Q. Were you the analyst assigned to this docket?

8 A. Yes.

9 Q. And what sort of documents -- what did you look at in  
10 your analysis?

11 A. I looked at the Petition that was filed, and I also  
12 submitted a data request to William Heaston and a  
13 response was received by the Commission.

14 Q. And what is the purpose of your testimony tonight?

15 A. The purpose of my testimony is to give my opinion to  
16 the Commission regarding the purchase of Dakota  
17 Community Telephone and McLeodUSA Telecom Development  
18 by PrairieWave Communications from McLeodUSA  
19 Holdings, Inc., and McLeodUSA Telecommunications  
20 Services, Inc., respectively.

21 Q. Do these two companies presently have a certificate  
22 of authority to operate as telecommunications  
23 companies?

24 A. Dakota Community Telephone received a certificate of  
25 authority from Docket TC97-164. And McLeod Telecom

1 Development, Inc., received its certificate of  
2 authority in Docket TC96-050.

3 Q. And are both of these companies incumbent  
4 telecommunication companies?

5 A. No. Dakota Community Telephone is the incumbent  
6 carrier for the exchanges of Alsen, Beresford, Rural  
7 Chancellor, Flyger, Gayville, Hurley, Davis, Irene,  
8 Lennox, Monroe, Parker, Volin, Wakonda, and  
9 Worthing. McLeodUSA Telecom is a competitive local  
10 exchange carrier in the exchanges of Canton,  
11 Centerville, Colman, Elk Point, Flandreau,  
12 Harrisburg, Madison, North Sioux City, Tea, Viborg,  
13 Watertown, and Yankton.

14 Q. Has either Dakota or McLeodUSA been granted ETC  
15 status by this Commission?

16 A. Dakota was granted ETC status. And I would like to  
17 explain how Dakota ended up with that ETC status.

18 Q. Go ahead.

19 A. Dakota Cooperative Telecommunications, Dakota  
20 Telecom, Inc., and Dakota Telecommunications Systems  
21 filed for ETC status on March 25th, 1997, in Docket  
22 TC97-030. On May 29th of 1997 Dakota Cooperative  
23 Telecommunications filed an Amended Petition asking  
24 for ETC status only to the cooperative, Dakota  
25 Cooperative. The Commission granted ETC status to

1 Dakota Telecommunications Group which was formerly  
2 known as Dakota Cooperative Telecommunications. This  
3 was done on September 9 of 1997 at a Commission  
4 meeting.

5 Dakota Cooperative Telecommunications changed  
6 its name to Dakota Telecommunications Group on  
7 July 30 of 1997. On October 15th of 1997 the  
8 Commission received an application for certificate of  
9 authority from DTG Community Telephone in Docket  
10 TC97-164. Within that application DTG Community  
11 Telephone stated because DTG Community Telephone will  
12 be assuming the obligations and benefits of the  
13 eligible telecommunication carrier status, which was  
14 granted to Dakota Telecommunications Group in  
15 TC97-303, DTG Community Telephone will advertise its  
16 services in a manner consistent with its obligations  
17 as an eligible telecommunications carrier. DTG  
18 Community Telephone informed the Commission that it  
19 had changed its name to Dakota Community Telephone,  
20 Inc., on November 13th of 2000.

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

23 A. Yes. I believe the transfer of ownership will enable  
24 PrairieWave Communications to continue bringing  
25 modern telecommunication services to the rural areas

1 of Dakota and to expand the same opportunities to the  
2 exchanges operated by McLeodUSA Telecom. The terms,  
3 conditions, and rates for local exchange service will  
4 not change. Emergency 911 service will continue to  
5 be provided and all taxes will be paid as required by  
6 law.

7 Q. What about switched access?

8 A. The Petitioner's access tariffs will change in name  
9 only. This comes from paragraph four of the  
10 Petition. Dakota has filed a switched access cost  
11 study that was filed on July 1 of 2002. It was  
12 docketed at TC02-087. McLeodUSA Telecom was granted  
13 a three-year exemption from having to file a specific  
14 cost study on April 19 of 2002 in Docket TC02-017.

15 Q. TC02-017, is that what you said?

16 A. TC02-017.

17 Q. Is this stock purchase similar to stock purchases  
18 that the Commission has approved in the past?

19 A. The most similar stock purchase was TC96-017. In  
20 that proceeding the stock of Oellig Utilities  
21 Company, the parent company was Sioux Valley  
22 Telephone Company, was purchased by Alliance  
23 Telecommunications Company. The Commission issued  
24 separate orders of approval for each exchange as  
25 required by SDCL 49-31-59.

1           In my opinion this stock purchase is slightly  
2           different from Commission approvals that have  
3           occurred in the past in that local management will  
4           not change. In the stock purchase of Kadoka  
5           Telephone, Union Telephone, Bridgewater-Canistota  
6           Independent Telephone Company and Armour Independent,  
7           the new owners replaced the local management.

8           A second difference is that the ultimate parent  
9           of Dakota and McLeodUSA Telecom, McLeodUSA,  
10          Incorporated, was in Chapter 11. As a part of the  
11          restructuring of McLeodUSA a determination was made  
12          by McLeodUSA, Incorporated, that the McLeodUSA  
13          Community Telephone and its subsidiary Dakota  
14          Community Telephone and McLeodUSA Telecom Development  
15          no longer fit into the core business of McLeodUSA,  
16          Incorporated.

17          Mr. Heaston in a response to staff data request  
18          stated what obviously flows from that business  
19          decision is that these companies will not receive the  
20          investment and attention beyond that necessary to  
21          maintain the operation's current mode of operation.  
22          And I believe it was Mr. Anderson that stated that,  
23          and Mr. Norgaard made reference to it also.

24 Q.       What conclusions did you reach regarding the public  
25       interest criteria for the sale?



1 A. The Petitioners have agreed that local rates will  
2 remain the same after the purchase. Taxes will  
3 continue to be paid. Emergency services will  
4 continue to be provided. Local management will be  
5 the same if not better because of local ownership and  
6 the new owners want the companies. That was quoting  
7 from Mr. Heaston. Quoting from Mr. Heaston again,  
8 they will continue to provide modern state-of-the-art  
9 facilities and services throughout its service  
10 territories as has been done for many years.

11 Q. Do you have a recommendation regarding the exchange  
12 purchases?

13 A. Yes.

14 Q. And what is your recommendation?

15 A. I recommend that the Commission approve the purchase  
16 of the exchanges of Dakota Community Telephone, Inc.,  
17 and McLeodUSA Telecom Development by PrairieWave  
18 Communications with the following conditions:

19 One, that the Petitioners file with the  
20 Commission documentation supporting the purchase  
21 price as assigned to each operating entity.

22 Two, the current local rates not be increased  
23 for eighteen months from the date PrairieWave  
24 Communications begins to operate the exchanges.

25 Three, that PrairieWave Communications shall not

1 recover any of the acquisition adjustment through its  
2 regulated interstate or intrastate rates through its  
3 local rates or through federal or state universal  
4 funds.

5 Four, PrairieWave Communications shall honor all  
6 existing contracts, commitments, leases, licenses and  
7 other agreements which relate to, arise from, or are  
8 used for the operation of the exchanges.

9 Five, that PrairieWave Communications offer at a  
10 minimum all existing services currently offered by  
11 Dakota or McLeodUSA Telecom.

12 And, six, that PrairieWave Communications not  
13 discontinue any existing extended area service  
14 arrangements in the exchanges without first obtaining  
15 approval from this Commission.

16 MS. CREMER: That's all staff has.

17 MR. SMITH: Mr. McCaulley?

18 MR. McCAULLEY: No questions.

19 MR. SMITH: Any from the Commission? You're  
20 excused.

21 MS. CREMER: That's all the witnesses staff  
22 has.

23 MR. SMITH: Wait a minute. I have one  
24 question.

25 EXAMINATION BY MR. SMITH:

1 Q. We've heard reference to some financial information  
2 that the applicant has promised to provide. Would it  
3 be your opinion that the Commission's decision ought  
4 to await the receipt of that information?

5 A. Yes.

6 MR. SMITH: Thank you. Questions from anyone?  
7 You're excused.

8 THE WITNESS: Just wanted to make sure.  
9 (Witness excused.)

10 MR. SMITH: Does the staff have any other  
11 witnesses?

12 MS. CREMER: No. That's all staff has for  
13 witnesses, and we would have no closing.

14 MR. SMITH: At this point in time I'm going to  
15 turn the hearing back over to the chairman and he  
16 will take any comments, testimony, questions, or  
17 concerns from members of the audience in general,  
18 just members of the public.

19 CHAIRMAN BURG: Is there anybody in the audience  
20 who would like to make a comment or statement or  
21 testify? Your choice. Do we need to take a vote?

22 MR. JAMES H. JIBBEN: I don't really want to  
23 testify. But I would just like to say that I was  
24 formerly involved with Dakota as a director. And the  
25 people that are involved in buying this, and their

1 staff, all the employees just have been an excellent  
2 group of people. And I think that they will serve  
3 the citizens of South Dakota very well if they are  
4 allowed to make this purchase.

5 CHAIRMAN BURG: You think this would be a good  
6 move for Viborg?

7 MR. JAMES H. JIBBEN: I think so because they  
8 have plans to expand. And I think there will be more  
9 employment for the city of Viborg and for the people  
10 -- and I heard Brent mention that they have possibly  
11 ten positions that they're looking for between here  
12 and Sioux Falls. I think it will be good for all the  
13 small communities of South Dakota. And I guess when  
14 we started this whole thing as a group of directors  
15 we wanted to enhance the rural South Dakota area.  
16 And I think now we're going to go back to that if  
17 they're allowed to do this and I think that's a real  
18 plus for South Dakota.

19 CHAIRMAN BURG: Thank you.

20 MR. SMITH: Sir, could you identify yourself for  
21 the reporter?

22 MR. JAMES H. JIBBEN: Jim Jibben from  
23 Chancellor.

24 CHAIRMAN BURG: Anybody else? What do they  
25 say, three times? Anybody else have a comment?

1           Going, going, gone. Well, thank you very much for  
2           everybody coming. This is good and informative for  
3           me. I am glad to see a new business in South Dakota  
4           and if everything meets our scrutiny it probably will  
5           happen. We were prepared to possibly vote tonight on  
6           those, but because of the information we've asked for  
7           we believe we ought to review that information  
8           first.

9           What we tentatively are talking about doing is  
10          we have a Commission meeting already scheduled for  
11          Thursday. We'll do an addendum tomorrow to include  
12          this on the item on the Thursday one. We know that  
13          you've got an August 30th deadline. We would like to  
14          help you make that if we can. So if we get the  
15          information tomorrow so that everybody has a chance  
16          to look at the information we've requested we will  
17          probably be able to put it on the agenda on  
18          Thursday. Any questions about that at all?

19          MR. HEASTON: The information requested is the  
20          ILEC sheets, the financials?

21          CHAIRMAN BURG: It seemed like there was  
22          something else. Did you not ask for something  
23          earlier.

24          MR. HEASTON: I think John was satisfied after  
25          his questioning under oath that he got from Craig.

1 MR. SMITH: I think I am if the Commission  
2 doesn't want to direct them to provide that. But I  
3 think, is it your feeling, Greg, that we can  
4 adequately address the cash flow issue with what  
5 we're going to get?

6 MR. RISLOV: Well, I'm not sure. We don't have  
7 yet the July 3rd data that was provided to Harlan  
8 that I know of.

9 MR. HEASTON: You'll get that to tomorrow  
10 morning.

11 MR. RISLOV: And the financial statements of the  
12 ILEC. There was some discussion of the bank  
13 commitments. I don't know where that was left.

14 MS. CREMER: That's what it was.

15 MR. HEASTON: I thought that John was satisfied  
16 with the statement under oath from Craig that we were  
17 sufficiently funded to carry this deal forward and he  
18 did not need to see the commitment letters. That is  
19 a very tricky situation because of the really  
20 sensitive confidential nature of those. And Craig  
21 cannot release those without having first gotten a  
22 protection from you. And normally that's not the way  
23 the rule works. So if we can avoid doing that I  
24 would appreciate that. But if we have to do that  
25 then we can work through that.

1           MR. SMITH: We'll let you know. I'm not an  
2 accountant so I'm going to defer to our accounting  
3 people.

4           MR. HEASTON: I'm not either.

5           CHAIRMAN BURG: If we need that we'll get it.  
6 We'll let you know tomorrow.

7           MR. HEASTON: There is an application pending in  
8 front of you for proprietary protection of that in  
9 advance. And then we could -- I've got them with me  
10 on yellow paper so that they're clearly identified,  
11 and I would have to ship those out overnight once we  
12 had that.

13           MR. SMITH: The other thing we need from  
14 Mr. McCaulley is something, we need printed copies of  
15 the exhibits that were admitted.

16           MR. HEASTON: I will take care of that and ship  
17 it out from our office tomorrow, too.

18           MR. SMITH: And for the review of the  
19 Commissioners.

20           MR. HEASTON: Do you have copies of that?

21           MR. McCAULLEY: I have that one copy with me. I  
22 can provide that.

23           MR. HEASTON: We can replicate that. Give that  
24 to them.

25           MR. SMITH: That would be useful. And then I

1 don't know how you want to handle it on Thursday.  
2 Should we, in terms of admission of the last thing,  
3 maybe what you want to do is just label everything  
4 else you provided, ILEC data, with just one exhibit  
5 number and we can formally admit it at that point in  
6 time.

7 MS. CREMER: What is that, K? Wouldn't it be  
8 Exhibit K?

9 MR. HEASTON: Yeah, it would be K would be the  
10 ILEC. Is that what we're talking about? Yes. Okay.

11 MS. CREMER: Why don't we just put that down  
12 now.

13 CHAIRMAN BURG: Does anybody have anything  
14 else? Anything?

15 MS. CREMER: I do not.

16 CHAIRMAN BURG: If not, that will close the  
17 hearing. Thank you, everybody.

18 (End of Proceeding.)  
19  
20  
21  
22  
23  
24  
25



1 STATE OF SOUTH DAKOTA )

2 :SS CERTIFICATE

3 COUNTY OF MINNEHAHA )

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

8 DO HEREBY CERTIFY that I took the  
9 proceedings of the foregoing Public Utilities  
10 Commission Hearing, and the foregoing pages 1-100,  
11 inclusive, are a true and correct transcript of my  
12 stenotype notes.

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

17 In testimony whereof, I have hereto set my hand  
18 and official seal this 20th day of August, 2002.

19  
20  
21  
22 

23 Pat L. Beck, Notary Public

24 Expiration Date: June 11, 2005

25 Iowa CSR Number: 1185

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**SOUTH DAKOTA PUBLIC UTILITIES COMMISSION**

**VIBORG ENTERPRISE**

Lynette Almond, General Manager, on oath says VIBORG ENTERPRISE is a WE... lished in VIBORG in said county of TURN... kota; and that she is authorized to and does... behalf of said VIBORG ENTERPRISE: the... knowledge of all facts stated in this affidavit;... a legal newspaper as defined by SDCL 17-2... inclusive as amended, has a bona fide circu... hundred copies WEEKLY, has been publish... guage within said county and has been admitte... mail under the second class mailing privileg... continuously next prior to the publication of... tioned and was and is printed wholly or in p... tained at said place of publication; that said n... which taken from the paper in which the same... attached and is made part of this affidavit... newspaper

002

**NOTICE OF HEARING  
SOUTH DAKOTA  
PUBLIC UTILITIES  
COMMISSION**

**WHEN:** AUGUST 12, 2002 at 6:30 P.M. (CDT)

**WHERE:** V I B O R G COMMUNITY CENTER, 101 W. SORENSON, VIBORG

**ISSUE:** APPLICATION OF DAKOTA COMMUNITY TELEPHONE, INC AND MCLEODUSA TELECOM DEVELOPMENT, INC. TO TRANSFER OWNERSHIP OF THEIR STOCK TO PRAIRIEWAVE COMMUNICATIONS, INC.

The South Dakota Public Utilities Commission (Commission) will hold a public hearing on August 12, 2002, at 6:30 P.M. (CDT), in the Viborg Community Center, 101 W. Sorenson, Viborg, South Dakota, to consider whether to approve the sale of the local telephone exchanges in South Dakota owned by the McLeodUSA Incorporated family of companies (McLeod) to a newly-formed company known as PrairieWave Communications, Inc. (PrairieWave). According to documents filed by McLeod with the Commission, PrairieWave will be based in Sioux Falls.

On June 17, 2002, two McLeod subsidiaries, Dakota Community Telephone, Inc. (DCT) and McLeodUSA Telecom Development, Inc. (MTD) filed an application requesting the Commission to approve a transaction in which 100% the stock of DCT and MTD will be acquired by PrairieWave. The application states that after the sale, PrairieWave will change the name of DCT to PrairieWave Community Telephone, Inc. and the name of MTD to PrairieWave Telecommunications, Inc. DCT

of-the-art telecommunications services that will help promote economic development, telemedicine, and distance learning in rural South Dakota.

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

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

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

1 time(s) as follows: that the fi... notice in said newspaper aforesaid... the 1st day of Aug... and that the succeeding publications w... on Thursday, the \_\_\_ day of \_\_\_... on Thursday, the \_\_\_ day of \_\_\_... on Thursday, the \_\_\_ day of \_\_\_... on Thursday, the \_\_\_ day of \_\_\_

Affiant further says that the full amoun... for the publication of said notice inures to the be... ers of said newspaper; that no agreement of un... division thereof has been made with any other... therefore has been agreed to be paid to any perso... that the fees charged for the publication thereof

DOLLARS (\$ 41.75 )

(X) Lynette Almond

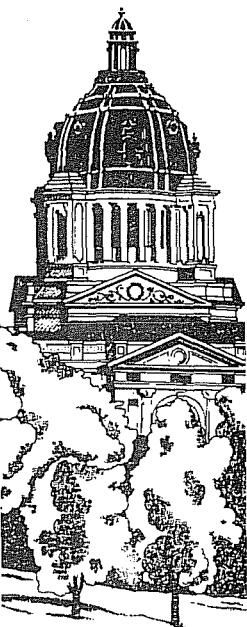
Subscribes and sworn to before me th... of August 2002

Cyndi Jensen  
Notary Public

My commission expires April 15, 2007

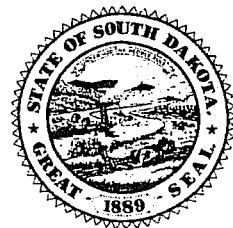


NOTARY PUBLIC  
SOUTH DAKOTA



# South Dakota Public Utilities Commission

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



## FAX

DATE: August 29, 2002  
TO: Bill Heaston  
FAX#: (605) 965-7867  
FROM: John Smith, Legal Counsel  
South Dakota Public Utilities Commission  
Ph. #: (605) 773-3201  
No. Pgs: 8 (incl. cover sheet)  
Re: **Final Decision in TC02-062**

Bill,

Karen recommended one minor addition on the first page stating merely that Peitioners, staff and the public appeared and testified. Other than that, the decision is as you saw it with your suggested edits.

**Capitol Office**

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

**Transportation/  
Warehouse Division**

Telephone (605)773-5280  
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1-800-877-1113

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[www.state.sd.us/puc](http://www.state.sd.us/puc)

♦  
**Jim Burg**  
Chairman  
**Pam Nelson**  
Vice-Chairman  
**Bob Sahr**  
Commissioner

**Debra Elofson**  
Executive Director

**Harlan Best**  
**Martin C. Bettmann**  
**Sue Cichos**  
**Karen E. Cremer**  
**Tina Douglas**  
**Christopher W. Downs**  
**Terry Emerson**  
**Michele M. Farris**  
**Marlette Fischbach**  
**Heather K. Forney**  
**Kelly D. Frazier**  
**Mary Giddings**  
**Tom Graham**  
**Mary A. Healy**  
**Lisa Hull**  
**Dave Jacobson**  
**Amy Kayser**  
**Bob Knadle**  
**Delaine Kolbo**  
**Gregory A. Rislov**  
**Keith Senger**  
**John Smith**  
**Rolayne Ailts Wiest**  
♦

# Pat Beck

court reporter

P.O. Box 1799

Sioux Falls, SD 57101-1799

voice: 605.332.1272

fax: 605.333.0892

email: stenoPAT@aol.com

**RECEIVED**

SEP - 5 2002

**SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION**

September 4, 2002

Mr. John Smith  
Public Utilities Commission  
500 E, Capitol Street  
Pierre, SD 57501


Re: August 12, 2002, Public Utilities Commission Hearing

Dear Mr. Smith:

Attached please find a condensed transcript copy to replace that of the Public Utilities Commission hearing taken August 12, 2002. I've had some trouble with my CondenseIt software which enables me to create the condensed transcripts. I noticed last night that the jobs I've sent out in the last week do not have any Q's or A's which could be a bit of a problem.

I apologize for any inconvenience or blindness this error may have caused. If you have any questions please feel free to contact me.

Sincerely,



Pat L. Beck

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

DOCKET NO: TC02-062
\*\*\*\*\*
IN THE MATTER OF THE PETITION OF DAKOTA COMMUNITY TELEPHONE, INC. AND MCLEODUSA TELECOM DEVELOPMENT, INC. FOR APPROVAL OF THE TRANSFER OF ITS STOCK TO PRAIRIEWAVE COMMUNICATIONS, INC.

Viborg Community Center
Viborg, South Dakota
August 12, 2002
6:30 o'clock p.m.

\*\*\*\*\*

HEARING

\*\*\*\*\*

BEFORE: The South Dakota Public Utilities Commission

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

APPEARANCES:

Mr. Matthew S. McCauley
Mr. William Heaston
Hynes & McCauley
122 S. Phillips Avenue, Suite 250
Sioux Falls, SD 57104-6706

for Petitioners;

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

for the Public Utilities Commission.

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

CHAIRMAN BURG: It's 6:30. Welcome. I'm glad we found some chairs. I was afraid you guys were going to have to stand all night. We were sure they were here someplace but we couldn't find the right way to get into the room. Good evening, everyone. My name is Jim Burg. I am the chairman of the South Dakota Public Utilities Commission and I will be presiding over the hearing tonight.

I'd like to thank everyone for coming. At this time I'd like to introduce Commissioners Pam Nelson and Bob Sahr, the other two commissioners. Also up here at this table are Greg Rislov, the Commission's technical advisor, and John Smith, the Commission's legal counsel. And Karen Cremer and Harlan Best will be representing the staff in this hearing tonight.

At this time I'll begin the hearing of Docket TC02-062 in the matter of Petition of Dakota Community Telephone Corporation and McLeodUSA Telecom Development, Incorporated, for approval of the transfer of their stock to PrairieWave Communications, Incorporated. The time is approximately 6:30 and the date is August 12, 2002.

The location of this hearing is in the Viborg Community Center, Viborg, South Dakota. This hearing was noticed pursuant to Commission's order for and

notice of hearing issued July 24, 2002. We also published a notice of the meeting in several area newspapers to advise the public of the hearing.

The reason for this hearing is that McLeodUSA Telecommunication Service, Incorporated, and McLeodUSA Holding, Inc., are proposing to sell all of the stock of Dakota Community Telephone, Incorporated, and McLeodUSA Telecom Development, Incorporated, and certain other assets to PrairieWave Communications, Incorporated.

This transaction, if approved, will result in the sale of the following local telephone exchanges owned by Dakota Community Telephone, Incorporated, and McLeodUSA Telecom Development, Incorporated, to PrairieWave Communications.

These are the list of the exchanges: Alsen, Beresford Rural, Chancellor, Flyger, Gayville, Hurley, Irene, Lennox, Monroe, Parker, Volin, Wakonda, Worthing, Canton, Centerville, Colman, Elk Point, Flandreau, Harrisburg, Madison, North Sioux City, Tea, Viborg, Watertown and Yankton.

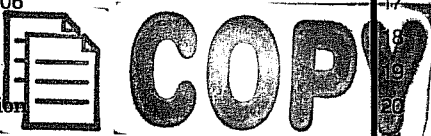
The question to be decided by the Commission are whether the sale of each of the local exchanges owned by Dakota Community Telecom, Incorporated, and McLeod Telecom Development, Incorporated to PrairieWave

Communications, Incorporated, should be approved.

South Dakota law requires the Commission to vote separately on the sale of each exchange after considering the following factors: The protection of the public interest, the adequacy of the local telephone service, the reasonableness of the rates for local service, the provision of 911 and Enhanced 911 and other public safety services, the payment of taxes, and the ability of the local exchange company to provide modern state-of-the-art telecommunication services that will help promote an economic development, telemedicine, and distance learning in South Dakota.

All parties have the right to be present, to be represented by an attorney and to present testimony and other evidence. Following the presentations by Petitioners and the Commission staff we will take comments from the members of the public. And I would like to encourage everyone in attendance to feel to free to voice their questions or concerns at that time.

If anyone offers factual testimony we will ask that -- we may ask that you be sworn in so that we can make your testimony part of the evidence in the case. State law requires that the parties be given



5

1 the opportunity to cross-examine anyone who presents  
2 sworn testimony. And in contrast if you just want to  
3 make comments but are not in the form of testimony  
4 you probably won't need to be sworn in or  
5 cross-examined.

6 At the conclusion of the hearing the Commission  
7 may decide to vote on the issues tonight or we may  
8 take the matter under advisement to give us a chance  
9 to study the evidence presented tonight.

10 The Commission's final decision may be appealed  
11 by the parties to the State Circuit Court and the  
12 State Supreme Court. John Smith will act as  
13 Commission counsel. He may provide recommended  
14 rulings on procedural and evidentiary matters.

15 The Commission may overrule its counsel's  
16 preliminary rulings throughout the hearing. If not,  
17 overruled, however, the preliminary rulings will  
18 become final rulings. At this time I will have John  
19 Smith take appearances of the parties and conduct the  
20 hearing.

21 MR. SMITH: Thank you, Mr. Chairman. At this  
22 time would Dakota Community Telephone, Inc., and  
23 McLeodUSA Telecom Development, Inc., and PrairieWave  
24 Communications, Inc., make its appearances?

25 MR. McCAULLEY: Commissioners, I'm Matthew

6

1 McCaulley on behalf of the Petitioners and  
2 PrairieWave Communications.

3 MR. SMITH: Thank you. Ms. Cremer.

4 MS. CREMER: Karen Cremer on behalf of staff.

5 MR. SMITH: I think with that, unless there's  
6 anything that the attorneys would like to do  
7 preparatory to the hearing we'll begin with an  
8 opening statement if you'd like to make one,  
9 Mr. McCaulley.

10 MR. McCAULLEY: Thank you. And actually I do  
11 have just a couple of housekeeping items I'd like to  
12 cover before an opening statement. The first one,  
13 and I have spoken with Ms. Cremer about this, the  
14 first one will be intervention of PrairieWave  
15 Communications, Inc., was inadvertently left off the  
16 Petition as a Petitioner. And PrairieWave  
17 Communications, because we see them as a necessary  
18 party because of their pecuniary interest in this  
19 matter, is requesting to formally intervene in this  
20 matter.

21 MS. CREMER: Staff would have no objection.

22 MR. SMITH: Is there any objection from anyone  
23 else? Is there a motion?

24 CHAIRMAN BURG: Yes, I think we probably have a  
25 motion. I move that we do allow PrairieWave as an

7

1 intervenor in the case because it must have been  
2 inadvertently left off.

3 COM. NELSON: I'll second.

4 COM. SAHR: And I concur.

5 MR. SMITH: Mr. McCaulley.

6 MR. McCAULLEY: Thank you. The second matter  
7 would be on the Petition filed by the Dakota  
8 Community Telephone and McLeodUSA Telecom Development  
9 an exchange and ILEC was inadvertently left off --  
10 I'm sorry. An exchange was left off the Exhibit G.  
11 And that would be the exchange of Davis. And we're  
12 asking the Commission for permission to amend the  
13 Petition to include Davis as an exchange.

14 MR. SMITH: Staff?

15 MS. CREMER: Staff has no objection.

16 CHAIRMAN BURG: I will move that we admit Davis  
17 as one of the exchanges to be sold as well.

18 COM. NELSON: I second.

19 COM. SAHR: And I concur.

20 MR. McCAULLEY: Mr. Smith, I have one remaining  
21 item and that relates to the exhibits. And I prefer  
22 if the Commission would allow me to address this  
23 matter before we begin testimony. At this point in  
24 time in the hearing I don't intend or plan on  
25 offering additional exhibits besides what is already

8

1 a formal part of the record. I believe there are  
2 exhibits attached to the Petition as enumerated,  
3 lettered A through H, and then there were also five  
4 exhibits attached to the July 3, 2002 letter sent to  
5 Mr. Best in response for request of additional  
6 information. And I would like to request that we  
7 formally make those exhibits part of the record.

8 MR. SMITH: Are you offering those exhibits?

9 MR. McCAULLEY: If the Commission would  
10 entertain that, yes, sir.

11 MR. SMITH: Staff?

12 MS. CREMER: Just so I understand this, you're  
13 putting in the exhibits but not the Petition  
14 itself?

15 MR. McCAULLEY: At this point, correct. And I  
16 guess if the Petition -- if the Petition should be  
17 made part of the record I'd actually move the  
18 Petition also.

19 MS. CREMER: I just think it would be clearer  
20 because if they're attached to the Petition it would  
21 make sense. Okay. Through H? So then I is the  
22 Petition?

23 MR. McCAULLEY: Yes.

24 MS. CREMER: Okay. Then staff has no  
25 objection.

9

1 MR. SMITH: Am I understanding this correctly, I  
2 thought you stated that there were additional  
3 exhibits other than A through H.

4 MR. McCaULLEY: Yes, there are. In addition  
5 there are five exhibits that are a part of the  
6 July 3, 2002 letter from Bill Heaston to Harlan  
7 Best.

8 MR. SMITH: And what would those be labeled?

9 MR. McCaULLEY: Those are labeled Exhibit A-1,  
10 which is some additional information in response to  
11 the question about the purchase price; Exhibit B-1,  
12 management's resume; C-1 is original financial  
13 statements; D-1, our pricing descriptions; and E-1 is  
14 a listing of the taxes that are paid by type.

15 MR. SMITH: And so we have A through H are the  
16 original set of documents that were submitted at the  
17 time of Petition filing. Exhibit I is the Petition  
18 itself. And A through E-1 are five additional  
19 documents that have been submitted to staff.

20 MR. McCaULLEY: That is correct.

21 MR. SMITH: Okay. Well, you know what they are,  
22 staff. Ms. Cremer, do you have an objection to the  
23 introduction of the documents?

24 MS. CREMER: So is the letter going in, too?  
25 Was that marked as one of them?

10

1 MR. McCaULLEY: I don't believe that was marked  
2 as an exhibit.

3 MS. CREMER: Do you want to include his letter  
4 and Mr. Best's letter?

5 MR. McCaULLEY: Yeah. That would be fine. We  
6 included the July 3, 2002 letter.

7 MS. CREMER: Mr. Heaston's letter you want to  
8 include? I think it would make more sense to do  
9 that. Okay. So then that's, what --

10 MR. HEASTON: Make it Exhibit J with attachments  
11 A-1 through E-1.

12 MS. CREMER: Staff has no objection.

13 MR. SMITH: Are there physical copies of this  
14 stuff that we can provide to the reporter?

15 MR. McCaULLEY: Yes, there are.

16 MR. SMITH: Does that include the letter and the  
17 Petition?

18 MR. McCaULLEY: Yes, it does.

19 MR. SMITH: Okay. Does the Commission want to  
20 look at any of the additional documents? You've got  
21 in your possession A through I. The Commission has  
22 not actually seen, to my knowledge, at this point,  
23 A through E-1. Will there be discussion of these? I  
24 guess I'm a little concerned with admitting something  
25 -- the other things look to be all official

11

1 documents that are complete and there really isn't a  
2 whole lot of foundation involved with them. I guess  
3 not knowing what these things are, I don't know, do  
4 you have any comment on that, staff?

5 MS. CREMER: No. Staff received them. We  
6 submitted a data request to them. This is their  
7 response to staff. So we have seen A-1 through E-1.  
8 You know, I guess you could admit them and give them  
9 the weight you think they deserve would be --

10 CHAIRMAN BURG: Those didn't go in the record?

11 MR. SMITH: That's what we're talking about  
12 now.

13 CHAIRMAN BURG: No, I mean they aren't in the  
14 official --

15 MS. CREMER: They're not in the file.

16 CHAIRMAN BURG: They aren't in the official  
17 file?

18 MS. CREMER: Right, because they were in  
19 response to a data request.

20 MR. SMITH: Let me ask you this: Are you  
21 satisfied that there is a satisfactory foundation for  
22 those exhibits?

23 MS. CREMER: Yes.

24 MR. SMITH: Okay. With that I'm going to -- I'm  
25 going to admit Exhibits A through I and Exhibits

12

1 A through E-1.

2 MS. CREMER: And J.

3 MR. SMITH: J was what?

4 MS. CREMER: Was the letter from Heaston.

5 MR. SMITH: A-1 through E-1. And what is J? J  
6 is the cover letter?

7 MR. HEASTON: J is the cover letter.

8 MR. McCaULLEY: J is the transmittal cover  
9 letter for A-1. It references those exhibits.

10 MR. SMITH: J is also admitted. Hearing no  
11 objection we'll move along. Mr. McCauley?

12 MR. McCaULLEY: Thank you. And I have just a  
13 brief opening statement, Commission members, if I  
14 may. Just as a brief background, on May 15, 2002,  
15 McLeodUSA and PrairieWave Communications entered into  
16 a confidential stock purchase agreement. The subject  
17 of the transfer as we've already heard were 14 ILECs  
18 and 12 CLECs. The ILECs being owned by Dakota  
19 Community Telephone and CLECs by McLeod Community  
20 Telephone.

21 This transfer -- the evidence we'll be  
22 presenting tonight will show that this transfer and  
23 the approval of the stock sale will continue to  
24 enhance the vitality and viability of rural South  
25 Dakota with regard to the exchanges that are the



13

1 subject of this hearing tonight.

2 We'll be calling just two witnesses this  
3 evening. The first witness of the applicants will be  
4 Craig Anderson. Mr. Anderson is a CEO and chairman  
5 of PrairieWave Communications, Inc. He's also  
6 responsible for the marketing, financial operations  
7 and the strategic planning of PrairieWave.

8 Mr. Anderson will be called to testify with  
9 regard to the background and the details of  
10 PrairieWave Communications and also talk about the  
11 first five factors under the statute: the public  
12 interest, local telephone service, the rates for the  
13 service, public safety services, and the taxes.

14 The second witness we'll be calling will be  
15 Mr. Brent Norgaard. He is currently the  
16 vice-president and general manager of Dakota's region  
17 for McLeodUSA. Following the transfer, if this  
18 Commission approves it of the stock, he will be the  
19 vice-president and general manager of PrairieWave  
20 Communications.

21 Mr. Norgaard will testify with regard to the  
22 network structure of the exchanges, the condition of  
23 the exchanges and the capital investment plan of  
24 PrairieWave Communications with regard to these  
25 exchanges. And he will testify in general then to

14

1 the last factor as found in the statutes. So with  
2 that I'm ready to proceed when the Commission is.  
3 Thank you.

4 MR. SMITH: Does the staff want to make an  
5 opening statement now or would you prefer to wait?

6 MS. CREMER: Staff will not make an opening  
7 statement.

8 MR. SMITH: Mr. McCaulley, you may proceed.

9 MR. McCAULLEY: Thank you. Petitioners call  
10 Mr. Craig Anderson.

11 CRAIG ANDERSON,  
12 called as a witness, being first duly sworn,  
13 testified and said as follows:

14 DIRECT EXAMINATION BY MR. McCAULLEY:

15 Q. Good evening, Mr. Anderson. Would you please spell  
16 -- say your name and spell it for the record?

17 A. Craig Alan Anderson. C-R-A-A-I-G, A-L-A-N,  
18 A-N-D-E-R-S-O-N.

19 Q. Thank you. And could you please provide the  
20 Commission with your current business address,  
21 occupation?

22 A. Certainly. My current business address is 2106 East  
23 Slaten Park Circle in Sioux Falls, South Dakota  
24 57103. My current occupation is as chairman and  
25 chief executive officer of PrairieWave

15

1 Communications.

2 Q. Thank you. Would you please explain to us a little  
3 about your educational and occupational background?

4 A. I hold a Bachelor of Arts degree from Augustana  
5 College in business administration and economics and  
6 accounting. I have an MBA from the University of  
7 South Dakota. I have a Master's in professional  
8 accounting from the University of South Dakota. I  
9 have a law degree from the University of Southern  
10 California. I'm admitted to practice law in  
11 Minnesota, South Dakota and California although I'm  
12 active only in South Dakota. I'm a CPA, and I was  
13 recently designated by the AICPA as a certified  
14 information systems specialist.

15 Q. All right. Thank you. I'm sorry, did you have  
16 additional --

17 A. Do you want to get into my job background?

18 Q. Please, please.

19 A. This is not the first time I've appeared before the  
20 Commission, but in the smallness of this world it's  
21 the first time I've appeared with Bill Heaston by my  
22 side rather than on the other side.

23 I began my career in 1980 as a private attorney  
24 and started one of the first wind energy companies  
25 which is now a subsidiary of General Electric, and in

16

1 that job dealt with the California Public Utilities  
2 Commission extensively as we opened the brand new  
3 competitive area of electrical power generation.  
4 1987 I moved back to Sioux Falls. I became involved  
5 with the Dial-Net Company which was a long-distance  
6 reseller. I was senior vice-president and general  
7 counsel and corporate secretary for that company and  
8 also director. That company was sold to WorldCom  
9 many years before the current problems.

10 After that I was on a non-competition  
11 arrangement and I spent about eighteen months helping  
12 the Austad family. Mr. Austad tragically passed away  
13 from Alzheimer's disease and they needed some help  
14 with the catalog company that they operated.

15 I left there and became an independent  
16 consultant for the telecommunications industry  
17 advising primarily investors and banks. And then in  
18 1996 I was hired by Dakota Telecommunications  
19 Cooperative as their vice-president of marketing and  
20 their chief financial officer.

21 I think the Commission, certainly the staff is  
22 aware of what happened at Dakota, but briefly we  
23 converted from the co-op to a public Delaware  
24 corporation. I became president, a director, and  
25 chief financial officer of that corporation. We

17

1 began the select build-out that we're going to be  
2 discussing tonight. And in 1999, I believe it was,  
3 we ended up merging Dakota Telecommunications with  
4 McLeodUSA.

5 After that I was again a strategic business  
6 consultant, this time primarily for McLeodUSA. That  
7 lasted until August of 2002. In the meantime I had  
8 started a company known as United States  
9 Communications Corporation which today operates as an  
10 engineering firm in the telecommunications area in  
11 the State of Michigan. And of course currently I'm  
12 now serving as chairman and chief executive officer  
13 and as a director of PrairieWave.

14 **Q. In your role as chief executive officer and director  
15 at PrairieWave what are your day-to-day  
16 responsibilities and obligations?**

17 **A.** PrairieWave is a single purpose entity that has been  
18 incorporated in the State of Delaware just for this  
19 transaction. So it has no other activities except  
20 for this transaction. Currently we have been  
21 involved in negotiating the agreement with McLeodUSA,  
22 and then in the past several months we've been  
23 involved in extensive due diligence and investigation  
24 of the operations that we intend to acquire.

25 **Q. You stated that PrairieWave was formed specifically**

18

1 **for this transaction. Talk a little bit about the  
2 goals and mission and purpose of PrairieWave.**

3 **A.** What I did in forming PrairieWave was bring together  
4 a management team of people that had worked with me  
5 at Dial-Net before or had worked with me at Dakota in  
6 the past. All of us are dedicated to providing  
7 advanced telecommunication services to small  
8 communities. And by that we mean communities of  
9 100,000 or less. Our focus is strictly on those  
10 communities. Our systems are designed around  
11 providing services for those communities. Our  
12 marketing is geared to the small community. We do  
13 not -- we believe that our strategic plan focusing on  
14 the small community allows us to provide a higher  
15 quality of service than if we were diverted by  
16 operating in the larger communities.

17 We also believe that we know the small  
18 communities better. We know the construction costs.  
19 We know the maintenance requirements. And it's a  
20 very important strategic focus on our part to stay  
21 with the small communities.

22 Our mission is simply to provide the highest  
23 quality of advanced services we can at a reasonable  
24 cost. And our purpose in this transaction is to  
25 acquire the ILEC and the CLEC developments that form

19

1 part of the old Dakota Telecommunications group,  
2 finish the build-out and improve the marketing and  
3 service levels and the products that are offered in  
4 those communities.

5 **Q. All right. Thank you. Let's talk a little about the  
6 exchanges that you're acquiring. Talk first about  
7 the Dakota Community Telephone. Can you give the  
8 Commission a brief history of DCT?**

9 **A.** Well, Dakota Community Telephone is the current home  
10 of the ILEC business that started way back in 1953,  
11 and actually goes back to 1903 when the Hurley  
12 exchange was first formed. I became involved in the  
13 fall of 1996 as vice-president of marketing and chief  
14 financial officer. And I learned for the first time  
15 that perhaps all the arguments, Jim, that you heard  
16 on the access side were maybe not quite as accurate  
17 as they could have been. It was certainly  
18 interesting to change sides from an IXC to an  
19 independent telephone and to undertake a study of the  
20 really fairly complex economics of a small community  
21 exchange, and especially in a regulated environment  
22 for an incumbent local exchange carrier.

23 I learned a lot in senior management for that  
24 position and really gained a lot of respect for the  
25 people that worked in the smaller companies and their

20

1 dedication to providing service in the smaller  
2 companies.

3 I think as events have turned out the small  
4 company focus of the company like Dakota in its ILEC  
5 areas has resulted in far superior service in many  
6 cases than what you could get in a larger  
7 metropolitan area.

8 And so those are the lessons that we used when  
9 we designed our CLEC expansion policy while I was at  
10 Dakota, and those are the lessons that we intend to  
11 implement when PrairieWave acquires control of these  
12 exchanges.

13 **Q. Let's talk a little more about the CLECs if you  
14 would. Tell me about the history of McLeodUSA  
15 Telecom Development.**

16 **A.** McLeodUSA Telecom Development started as a company  
17 known as Dakota Telecom, Inc. Dakota Telecom, Inc.,  
18 was a wholly owned subsidiary of the cooperative.  
19 And when I started with the company it ran the cable,  
20 the independent cable operations and the other non-  
21 regulated operations of Dakota.

22 In 1996 we changed the strategic direction of  
23 the company to begin competitive over-builds of  
24 smaller communities, and because they were  
25 competitive and not regulated ILECs we put them into

21

1 Dakota Telecom, Inc. When Dakota Telecom, Inc., was  
2 -- or when Dakota Telecommunications Group was  
3 acquired by McLeodUSA they changed the name to  
4 McLeodUSA Telecom Development. So the McLeodUSA  
5 Telecom Development entity really represents the  
6 completion of the plan that we first put in place  
7 back in 1996 to expand the operations of Dakota.

8 **Q. All right. Thank you. Could you explain to me,  
9 Mr. Anderson, why PrairieWave then is interested in  
10 purchasing the stock of these two companies?**

11 **A.** Well, by purchasing the stock in these two companies  
12 we really reunite again the operations of the former  
13 Dakota Telecommunications Group. And by uniting  
14 those operations together once again we create what I  
15 call economics of scale. That is we have engineers,  
16 service technicians, centralized customer service  
17 support here in Viborg and other business activities  
18 that are specialized for the small markets. And that  
19 can be moved around to provide quality services in  
20 all these markets.

21 It also makes economical the ownership and  
22 operation of a large Lucent-5 ESS switch which of  
23 course operates here in Viborg. And there's another  
24 one of those switches located in Marshall, Minnesota,  
25 that provides service up there. So by spreading

22

1 these costs among all of these smaller communities  
2 we're able to maintain, we believe, a reasonably  
3 priced but advanced telecommunication service.

4 **Q. Thank you. Talk, if you would, please for a few  
5 moments about the present relationship between  
6 McLeodUSA and PrairieWave with regard to the purchase  
7 of these two entities.**

8 **A.** Okay. In July of 2001 I was contacted as the  
9 business consultant for McLeod because they were  
10 interested in selling the Dakota properties. And I  
11 think it was later in July, perhaps it was August of  
12 2001, I responded by making a bid to purchase the  
13 properties in order to give them that idea of  
14 valuation. The relationships, the personal  
15 relationships go back many years to our Dial-Net days  
16 where many of the McLeod employees and officers were  
17 officers at that time of Telecom USA. The business  
18 relationship at this point is strictly the agreement  
19 that we now have in place, the stock purchase  
20 agreement to acquire the Dakota operations in South  
21 Dakota.

22 **Q. What is the tentative closing date or -- strike  
23 that. What's the closing date under the stock  
24 purchase agreement?**

25 **A.** I believe the closing date is -- well, let me put it

23

1 this way: The closing date is flexible and it's set  
2 by the parties. We currently have set August 30th as  
3 our tentative closing date and that's what we're  
4 targeting.

5 **Q. If the closing goes as expected how will present  
6 customers of these two entities notice the  
7 transition?**

8 **A.** I don't think the customers will notice much at all  
9 about the transition. What we're trying to do is  
10 make the transition as seamless as possible. We have  
11 announced and put out a press release about the  
12 transaction. We will be sending letters out with the  
13 bills so that the customers will know that there is a  
14 new ownership. But the same people will be providing  
15 the service. The same customer service reps will be  
16 answering the telephone. The same middle management  
17 will be employed by the company. The same network  
18 people and field technicians will be providing the  
19 service.

20 Really the only thing that people should notice  
21 immediately will be the change in the logo, to the  
22 PrairieWave logo. And I hope within the next six to  
23 nine months they'll also receive more services being  
24 rolled out both in the ILEC and CLEC exchanges.

25 **Q. You've talked about the seamless transition with the**

24

1 **purchase of stock. How will PrairieWave finance the  
2 purchase of the stock?**

3 **A.** Well, let me start for a moment and kind of describe  
4 the transaction and it might be easier to talk about  
5 the financing. I've taken the liberty of putting a  
6 little diagram up here. McLeod has a whole series of  
7 subsidiary tiers, probably five or six. We're only  
8 dealing with the very lowest of the lowest three  
9 tiers of that structure. So these lines represent  
10 one hundred percent ownership by another McLeod  
11 corporation that's not affected by our transaction.

12 What we did is we entered into a transaction  
13 with McLeod Telecommunication Services which this  
14 Commission knows because they're the UNE, the seller  
15 who is an authorized CLEC in South Dakota to acquire  
16 all of the stock of McLeod Telecom Development which  
17 is the Dakota CLEC operation. So I think there's  
18 only something like a thousand shares that will come  
19 over here and be owned by PrairieWave when the  
20 transaction starts.

21 The other thing we did is contract with McLeod  
22 Holdings which is nothing but a holding company. And  
23 it owns one hundred percent of the stock of McLeod  
24 Community Services, Inc., which is the old Dakota  
25 Telecommunications Group public company which of

25

1 course is the old cooperative company. So we're  
2 buying all of that stock.

3 Now, there are no assets being transferred  
4 between corporations in this transaction. It's a one  
5 hundred percent stock transfer with the exception of  
6 McLeod. We negotiated to have certain additional  
7 assets put into this corporation before we complete  
8 the transaction. And the most important of those  
9 assets is rights to the Sioux Falls fiber ring and  
10 rights to what we call the northwest Iowa fiber ring  
11 which is necessary to link all of the communities  
12 together and make the network work.

13 Other than that, though, no assets are moving in  
14 or out of that corporation. No assets are moving in  
15 and out of this corporation. And no assets are  
16 moving from this corporation. This is the ILEC down  
17 here, Dakota Communication Services. None of the  
18 stock of the ILEC is being directly changed or  
19 exchanged. Only the stock of the company that owns  
20 the ILEC is being acquired by us.

21 Then we take this stock that we acquired over  
22 here, we contribute it down here so now this  
23 corporation is a subsidiary of the old co-op as is  
24 the ILEC, and we change the names. And that's all we  
25 do.

26

1 By doing that we assume all the liabilities and  
2 obligations of all three of these corporations. We  
3 don't have to have all the asset transfers that you  
4 normally would have with a direct asset purchase. We  
5 assume the liabilities. We're subject to the tariffs  
6 that are on file. We're subject to your regulatory  
7 jurisdiction especially over here on the ILEC side on  
8 South Dakota. And we accept all of those  
9 responsibilities and obligations and liabilities  
10 because we become the owner of all of the stock by  
11 virtue of the transaction.

12 Now, to finance the transaction, which was the  
13 direct question you asked. We have assembled a group  
14 -- well, actually two venture capital firms. One is  
15 Alta, A-L-T-A, Communications. The other is Bank  
16 America Capital. I'm not sure if it's capital  
17 corporation or exactly what the full name is. And  
18 they have signed letters, commitment letters that  
19 bind them to provide us with the equity dollars for  
20 the transaction.

21 We've also assembled a bank group. The bank  
22 group is headed by General Electric Capital. It  
23 includes CIT Communications and Home Federal Bank  
24 from Sioux Falls. And they have agreed to provide --  
25 they have signed commitment letters and have agreed

27

1 to provide the debt financing for the transaction.  
2 Assuming we can get all of the clearances and  
3 documents, and so forth, completed, all of us are  
4 targeting August 30th as the closing date.

5 **Q. You talked a little bit about, since this was a stock  
6 purchase you would be assuming the rights and  
7 obligations of the seller. What does that mean with  
8 regard to ETC status?**

9 **A. ETC, eligible telecommunications company status?**

10 **Q. Correct.**

11 **A. That's really a legal conclusion, I think. But I can  
12 tell you the facts that would be determinative in my  
13 mind. One is that we're not changing anything down  
14 here. We are still providing universal service as an  
15 incumbent local exchange carrier. So we still have  
16 all the obligations that are necessary in order to  
17 receive USF. And that's really what ETC status is  
18 all about in terms of the final result.**

19 **The second is that we're not really changing the  
20 ownership of this corporation, but of course we are  
21 indirectly changing the ownership of the  
22 corporation. I know of no precedent one way or the  
23 other in this situation where you should have to  
24 apply again for ETC status or not.**

25 **My view would be that because we don't change**

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1 direct ownership, because we still provide the same  
2 services and are under the same service obligation,  
3 and because we're not moving any assets or  
4 liabilities in or out of this corporation, that the  
5 ETC status of this operation doesn't change at all  
6 and probably should just continue. But I admit that  
7 that would be a legal conclusion, not actual  
8 testimony.

9 **Q. So the entity of Dakota Community Telephone as a  
10 corporation, that will survive the purchase?**

11 **A. Absolutely. All three of these corporations survive  
12 the purchase as corporate entities. The only thing  
13 that happens is that we changed one line in the  
14 Articles of Incorporation. We changed the name. And  
15 of course we provided the Commissioners about four  
16 different names really that we change. And we do  
17 that all as part of the one transaction.**

18 **Q. Thank you. Once the purchase is complete how will  
19 the purchase price be assigned to each of the  
20 specific exchanges?**

21 **A. In a transaction like this under generally accepted  
22 accounting principles you're required to use the  
23 purchase accounting rules. And what that means is  
24 that we take the value of all the consideration that  
25 we pay. In this case it will be cash. We add all**

29

1 the liabilities that we assume and then we compare  
2 that to the fair market value of all the assets  
3 involved in one big basket. And we allocate the  
4 purchase price and the sum of the purchase price and  
5 the liabilities among those assets based on their  
6 relative fair market value. But that's a pure  
7 accounting calculation. It has nothing to do with  
8 what title the assets are held in or how they're  
9 used. It's just what the rules are in the GAP.

10 Under Part 32 our accountants, our cost  
11 accountants are currently evaluating the transaction  
12 but they believe that the basis of the assets will  
13 not change at all. They will remain in the costs of  
14 these assets originally booked on the books. So  
15 there will be a different resolve depending on  
16 whether you're looking at Part 32 accounting for  
17 costing purposes versus whether you're looking at  
18 financial statements for generally accepted  
19 accounting principle purposes.

20 Q. At this point in time prior to the closing is it  
21 possible for you to give me a specific dollar amount  
22 that will be assigned to these exchanges?

23 A. I can't do that because in the stock purchase  
24 agreement we have a price adjustment that happens  
25 within 60 days after the transaction. If the working

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1 capital is not within certain parameters then either  
2 we pay less for the transaction or we pay more  
3 depending upon what that calculation is. So I can't  
4 give you exact numbers now. However, after that  
5 determination has been made we can give exact numbers  
6 to the Commission and the staff and show you exactly  
7 what the GAP basis is of those assets and compare  
8 that to what the Part 32 basis of those assets is.  
9 And we would be happy to do that if the Commission  
10 would like to see that at a later date.

11 Q. Once the stock purchase is complete you talked a  
12 little bit about some name changes to the entities.  
13 Can you explain for me what entities will be renamed  
14 to which new name?

15 A. Okay. This entity will be renamed PrairieWave  
16 Holdings because all that's going to do when the  
17 smoke clears is own one hundred percent of the old  
18 co-op.

19 Q. Let me interrupt you there for a second. When you  
20 say "this entity," can you refer to that by name?

21 A. PrairieWave. The circle in the middle of the chart.

22 Q. Okay.

23 A. PrairieWave Communications, Inc., that's the current  
24 name, will be renamed PrairieWave Holdings, Inc. It  
25 will remain a Delaware corporation. And its sole

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1 asset, if you will, is going to be the stock in the  
2 cooperative. The old cooperative, which is currently  
3 called McLeodUSA Community Services, Inc., will be  
4 renamed PrairieWave Communications, Inc., because  
5 this is where we want to hold our corporate brand  
6 identity as PrairieWave.

7 The McLeod Telecom Development Company which --  
8 McLeodUSA Telecom Development Company, which was the  
9 CLEC operation, will be renamed PrairieWave  
10 Telecommunications, Inc. And the ILEC will be  
11 renamed PrairieWave Community Service, Inc. So  
12 they're just replacing PrairieWave with Dakota.

13 The purpose of that is the whole entity will be  
14 revolving around one brand name, which is the  
15 PrairieWave name, and the entire entity is going to  
16 be structured so that we can take support services  
17 and move them between the CLEC and the ILEC or back  
18 and forth -- and I'm talking about personnel here --  
19 in order to address the needs of the relative  
20 communities.

21 Q. So how would the acquisition of the stock described  
22 in the purchase agreement protect the public interest  
23 here in South Dakota?

24 A. Well, I think that really gets down to the fact that  
25 once again these exchanges are going to be owned by a

32

1 company whose primary focus is providing services in  
2 these exchanges, as opposed to a fourteen-state area,  
3 whose focus is on the small community in developing  
4 products especially adapted to the small community as  
5 opposed to larger communities, who is extremely  
6 financially solvent with much more working capital  
7 than the corporation currently has or than the  
8 operation currently has, and that of course is shown  
9 in one of the exhibits that we provided. And whose  
10 staff is dedicated and experienced in providing  
11 marketing and technical network service, sales,  
12 customer service to the small community residents.  
13 And that focus, we believe, is absolutely critical.  
14 And instead of being a small part of a much larger  
15 company in a non-core operation, the operations in  
16 these exchanges now become absolutely the major part  
17 of our corporate operation.

18 Q. The Petition or the two entities have a number of  
19 exchanges in them, 14 ILECs and 12 CLECs.

20 A. Uh-huh.

21 Q. Would your comments with regard to the protection of  
22 the public interest, would that apply to each one of  
23 the exchanges?

24 A. Yes, it would. It would be the same for each  
25 exchange.

1 Q. Okay. How will PrairieWave change the provision of  
2 local telephone service in each of the exchanges or  
3 any of the exchanges?

4 A. We are not going to change anything in the existing  
5 areas because we believe that Dakota has always  
6 provided a very high quality service. What we do  
7 intend to do, though, and I believe Brent's going to  
8 talk a little bit more about this on the technical  
9 side is continue to provide more advanced services in  
10 these communities. And especially we want to start a  
11 focus on the ILEC communities. And our plans are to  
12 develop some new products that we can bring into  
13 these ILEC communities that are reasonably priced and  
14 that provide much better service for them.

15 Q. And those comments and those observations are true  
16 for each exchange in the Petition?

17 A. Yes. One of our goals is to be sure that every  
18 community we're in, which we also described as a  
19 market, can be able to take advantage of every  
20 service that we have, whether that service might be  
21 provided by the same technology, which might change  
22 from community to community, but the service itself  
23 from the customer standpoint would be -- it would  
24 appear to be the same.

25 Q. How about changes for the local rates or for the

1 services that are charged in each of those towns,  
2 services that are offered into each of these  
3 exchanges. Will there be adjustments or increases to  
4 the rates?

5 A. No. We've agreed that we are not going to change the  
6 rates in the local communities at all. In fact,  
7 we've agreed to adopt the tariffs that have  
8 previously been filed by both CLEC and ILEC. And we  
9 also believe that the services are already reasonably  
10 priced based on the return. And, therefore, we are  
11 not going to change any pricing in any community for  
12 basic service. We may run a special now and then  
13 from a marketing standpoint, but that would be it.

14 Q. Is that true for each one of the exchanges listed on  
15 the Petition?

16 A. Yes, it is.

17 Q. All right. Will the transition from the present  
18 structure under McLeodUSA to PrairieWave affect any  
19 911 or E-911 services in any exchanges?

20 A. No, it shouldn't. We have, I believe, signed already  
21 agreements with almost all of the 911 and E-911  
22 providers that recognize the transfer of ownership.  
23 None of the connections, of course, from any of the  
24 switching equipment changes because none of those  
25 assets are going to be moved. And so the answer is

1 that no exchange will have any different E-911 or 911  
2 service than they have currently.

3 Q. Do you anticipate any changes in the way PrairieWave  
4 will pay taxes in any of the exchanges?

5 A. Well, I was talking to Char Hay about that who is a  
6 controller at McLeod, and they pay them every month.  
7 So I think I can't do much better than that. There  
8 will be no change. We'll be paying the same taxes.  
9 We'll be part of the same local communities. The tax  
10 structure won't be affected at all.

11 Q. And, finally, if the sale does not go through what is  
12 your understanding of how McLeod will treat the  
13 exchanges?

14 A. Well, I'm not -- I'm no longer an advisor to McLeod.  
15 I have no official capacity there. But I do know  
16 that over the past year especially there's been very  
17 little investment in these exchanges, particularly in  
18 the ILEC exchanges. I believe that would continue.  
19 I also know that there were other bidders for these  
20 exchanges and that those bidders wanted to break the  
21 system up. For example, separate the cable service  
22 from the local telephone service. And I believe that  
23 they would likely pursue an alternate transaction  
24 where these systems would be acquired by much larger  
25 companies and simply be split up and rolled into a

1 larger development.

2 MR. McCULLLEY: Thank you, Mr. Anderson. I have  
3 no further questions.

4 MR. SMITH: Staff?

5 MS. CREMER: Thank you.

6 CROSS-EXAMINATION BY MS. CREMER:

7 Q. Good evening, Mr. Anderson. What type of EAS  
8 arrangements are there currently within these  
9 exchanges?

10 A. There are numerous EAS arrangements. I believe there  
11 are 15 to 16 EAS contracts associated with both the  
12 ILEC and the CLEC. We are going to honor all of  
13 them.

14 Q. Okay.

15 A. And I believe I think I've signed contracts to that  
16 effect already.

17 Q. Do you anticipate any new EAS routes?

18 A. Not at this time.

19 Q. Do all of these exchanges have schools?

20 A. I don't know the answer to that. Most of the larger  
21 communities do have primary grades and high schools.  
22 I'm uncertain of the very small exchanges like a  
23 Flyger or Davis. They might be a consolidated school  
24 district. But the majority of them do have schools.

25 Q. Do you know, do any of them -- is it a toll call for

1 any of the students to call their school or to call  
 2 their classmates?  
 3 A. I'm sorry. I don't know that information.  
 4 Q. How are trouble reports currently handled?  
 5 A. I think again Brent would be better able to describe  
 6 that. I do know that they are initiated at a number  
 7 of different levels depending on the kind of service  
 8 involved. And I do know that our due diligence has  
 9 shown the response time has been very satisfactory.  
 10 But the exact details of it Brent would be able to  
 11 answer for you.  
 12 Q. Do you know what the current customer service hours  
 13 are?  
 14 A. No, I don't. But we do have plans to go to 24-by-7.  
 15 Q. Okay. You talked earlier about I think you said  
 16 they're moving assets into the McLeod Telephone  
 17 Development?  
 18 A. Right. Into the CLEC.  
 19 Q. And you talked about a fiber ring. Is that a  
 20 redundant?  
 21 A. Yes. It's a Sonnet fiber ring. There are numerous  
 22 fibers that we will either own directly or take  
 23 control of. And they are part of the Sonnet fiber  
 24 loops that keep the CLECs in a redundant operating  
 25 situation. The ILECs have their own fiber rings and

1 services to be rolled out. Such as what?  
 2 A. We're looking at trying to get high-speed broad-band  
 3 service into all of the ILECs. We'll do that one of  
 4 two ways. We'll either do that by digital subscriber  
 5 line service into some of the ILEC areas or we will  
 6 use a wireless technology to basically provide the  
 7 same kind of service. The key in my mind is getting  
 8 high-speed digital service so that even in the  
 9 smaller communities the customers, especially the  
 10 small businesses can take advantage of basically  
 11 Internet and other high-speed data transfer.  
 12 Q. You said that would be in the ILEC?  
 13 A. Yes.  
 14 Q. Okay.  
 15 A. Most of the CLEC already has it available through  
 16 cable modem service.  
 17 Q. Are you the money person then or is that Brent?  
 18 A. The money person?  
 19 Q. Are you who I ask the money questions of?  
 20 A. Yes, I am.  
 21 Q. Okay.  
 22 A. Unless it relates to the operation.  
 23 CHAIRMAN BURG: You were right the first time.  
 24 Q. Which company will have the debt?  
 25 A. There are two pieces of debt. One is what we call

1 there are multiple rings there, and they would not  
 2 necessarily be involved with these other two fiber  
 3 rings that we're acquiring in the CLEC.  
 4 Q. Does the switched access rate change at all?  
 5 A. Well, it's going to because I think we have a cost  
 6 petition pending, or Dakota has a cost petition  
 7 pending before the Commission now. So whatever that  
 8 cost report shows will be the rates that we will  
 9 charge.  
 10 Q. And then that -- will you come in and amend that to  
 11 reflect whatever name it ultimately ends up?  
 12 A. Yes. We'll be assuming that tariff, and we will  
 13 change the name on the tariff. We also would come  
 14 back to the Commission if we saw significant change  
 15 in the costs, especially if there would be a cost  
 16 decrease.  
 17 Q. Okay.  
 18 A. But at this point our accountants are advising us  
 19 that the Part 32 cost purposes, the book value or the  
 20 original cost basis of the assets is what's involved  
 21 in the determination of the access rates. And so I  
 22 really don't anticipate we'll do anything other than  
 23 assume what the Commission decides in the current  
 24 hearing.  
 25 Q. You mentioned a couple of times new products and new

1 the senior debt which will have a senior lien on all  
 2 of the assets. And that will be held in McLeod  
 3 Community Services, Inc., which is the old co-op  
 4 which is the old Dakota Telecommunications Group. It  
 5 will not be held by the ILEC and it will not be held  
 6 by the CLEC. There's another piece of debt that we  
 7 call mezzanine financing which is a slightly higher  
 8 interest rate. And that debt will be held by  
 9 PrairieWave Holdings which is the existing company.  
 10 And that provides what is known as structured  
 11 subordination so that the senior debt, if something  
 12 were to happen, would be able to take over the entire  
 13 operation and stop any cash payments up to the  
 14 subordinated debt.  
 15 Q. What's the local rate in the exchanges? Is it the  
 16 same in every one of them?  
 17 A. Brent would have to answer that one.  
 18 Q. Does PrairieWave intend to honor all the contracts,  
 19 lease commitments, licenses, and other arrangements  
 20 that are currently held by --  
 21 A. Any one of the three companies?  
 22 Q. Yes. All those we've been talking about.  
 23 A. Yes, we do. We are going to do that. We are legally  
 24 required to do it because of the way we structured  
 25 the transaction. Those agreements all stay in place

1 with the existing corporations. Corporations don't  
2 change. They are an existing legal entity and those  
3 contractual obligations bind them. But beyond that  
4 we've taken the extra step of notifying all of these  
5 third parties and actually signing agreements that  
6 they'll honor their side of the contract and we'll  
7 honor our side of the contract.

8 **Q. In talking about EAS -- or ETC, Dakota Community  
9 Service, the ILEC, is that name going to change?**

10 **A. Yes.** That name will change to PrairieWave Community  
11 Service, Inc.

12 **Q. Okay. Then under what name will you be applying for  
13 USF?**

14 **A. PrairieWave Community Service, Inc.**

15 **Q. So at some point you'll notify the people that  
16 control the USF funds that you've made a name change?**

17 **A. Right.**

18 **Q. So that they know -- okay.**

19 **A. Yes.** We've already notified NECA and we will notify  
20 the USF administrator. We also have already notified  
21 the FCC.

22 **Q. And then looking at Exhibit I on page five.**

23 **A. Is this something you wrote, Bill?**

24 **MR. McCAULLEY:** Are you referring to the  
25 Petition?

1 **MS. CREMER:** Yes. That would be the Petition.

2 **Q. Okay. On page five, and it would be subparagraph B,  
3 and in there it's referred to as upon notification of  
4 the closing of the transaction a change of name on  
5 the DCT certificate to PrairieWave Community  
6 Telephone, Inc., and it goes on. But you haven't  
7 been calling it PrairieWave Community.**

8 **A. Have I been wrong? I've been wrong. It should be  
9 telephone not services. I apologize.**

10 **Q. I didn't know what needed to be changed, but the  
11 Petition --**

12 **A. I apologize. And so this is McLeod Community  
13 Telephone, not Community Telephone Services.**

14 **Q. Okay. And then what notification of this hearing was  
15 made to the subscribers of Dakota Community and  
16 McLeodUSA Telecom Development?**

17 **A. Again, you would have to ask Brent. PrairieWave did  
18 not do anything special or notify any of the  
19 customers or anything on the McLeod base. We can't  
20 do that yet so Brent would be able to answer that.**

21 **MS. CREMER:** Okay. Thank you. That's all I  
22 have.

23 **MR. SMITH:** Commissioners?

24 **CHAIRMAN BURG:** I have a couple.

25 **EXAMINATION BY CHAIRMAN BURG:**

1 **Q. What happens to -- just what status does the Dakota  
2 Telecom original stock have at this point?**

3 **A. Well, all of that stock was supposed to have been  
4 converted to McLeodUSA stock. Any stock that has not  
5 been converted as of yet, which I understand is very  
6 minimal, either has expired and therefore has no  
7 rights, or can be still submitted and you can obtain  
8 whatever the number of McLeod shares that you were  
9 entitled to in the original deal given all of their  
10 splits and bankruptcy and so forth. But I can't  
11 remember the exact details, but I think probably most  
12 of the rights to exchange that stock has expired and  
13 they've just lost out.**

14 **Q. None of that will come into the new PrairieWave?**

15 **A. Oh, no, no. That's an obligation that McLeod keeps  
16 under the prior agreement it had with Dakota  
17 Telecommunications Group.**

18 **Q. So probably -- this is the last question I wrote  
19 down, so this will not be a publicly held corporation  
20 then?**

21 **A. No, it will not.**

22 **Q. Is McLeodUSA made up of only companies that would not  
23 be considered rural exchanges, the one over on this  
24 side?**

25 **A. Over here?**

1 **Q. Yeah.**

2 **A. Well, this company, whether or not these are rural  
3 exchanges or not is -- you would have to almost take  
4 it on a market by market basis. In my mind each one  
5 by itself is a rural exchange. So I would group all  
6 of the markets that we have and call them rural  
7 exchanges. But it depends on what your exact  
8 definition is because Marshall and Yankton are  
9 different and in different states actually than  
10 Viborg or Centerville or Irene.**

11 **Q. I guess what I'm probably getting at, would all those  
12 companies be non-ETC, non-ETC companies? That's that  
13 what I'm trying to figure out.**

14 **A. That's a legal opinion, too. In my view this clearly  
15 stays ETC because of the universal service  
16 obligation, and we accept that obligation. In my  
17 view these currently cannot be defined as ETC until  
18 we find a way to serve the farm community. And there  
19 are technologies and methods that we can do that. We  
20 can contract with QWEST for UNE service. We can use  
21 a wireless service or we could build-out ourselves  
22 which is just not practical in today's economic  
23 environment. And we're currently in the planning  
24 processes to balance the advantage of receiving USF  
25 funds against what it would cost to obtain ETC status**



1 in many of those markets.  
 2 Q. I was looking at this. Are there any of the  
 3 exchanges outside South Dakota that will be with  
 4 PrairieWave?  
 5 A. Yes.  
 6 Q. Which ones?  
 7 A. Well, your list only relates to the exchanges that  
 8 are in South Dakota.  
 9 Q. That's what I was wondering. So you have to get the  
 10 same kind of approval or some process at least --  
 11 A. In Iowa and Minnesota.  
 12 Q. -- in Iowa and Minnesota. That was one thing I  
 13 wasn't clear on whether PrairieWave was just going to  
 14 be just a South Dakota exchange company, but it's  
 15 not.  
 16 A. No. The network is constructed so that the Minnesota  
 17 and the Iowa markets are -- we're all part of one  
 18 operation.  
 19 Q. Well, are you changing where the actual operations  
 20 happen at all?  
 21 A. No.  
 22 Q. So it will still be Viborg?  
 23 A. Yes.  
 24 Q. And whatever is in Irene?  
 25 A. Yes.

1 Q. Is there any of that part in Sioux Falls?  
 2 A. Yes. There is a corporate office building in Sioux  
 3 Falls.  
 4 Q. Will PrairieWave have access and interconnection  
 5 agreements with MCI-WorldCom?  
 6 A. Well, I'm not sure we'd want one.  
 7 Q. I didn't ask that. I'm not sure we want you to have  
 8 one.  
 9 A. Yes, sir, they will. We will. We are obligated to  
 10 common carry, to provide terminating services to all  
 11 IXCs. And we will continue to do so as long as they  
 12 continue to pay their current bill.  
 13 Q. If they don't?  
 14 A. If they don't then I think the entire industry, not  
 15 only in South Dakota but across the country has a  
 16 problem because I don't see how you maintain a  
 17 ubiquitous telephone system unless you can terminate  
 18 into every exchange. On the other hand it's not fair  
 19 if we take all of those bad debt write-offs and throw  
 20 it into our rate base and increase our switched  
 21 access rates. That's everyone else subsidizing MCI.  
 22 Q. You're preaching to the choir here.  
 23 A. We have a problem.  
 24 Q. I guess I'd like to take this opportunity to try to  
 25 get your feeling on what happens with that because

1 I'm very concerned of what will happen to our  
 2 exchanges if they have to continue to provide access  
 3 and interconnection and don't know whether they'll  
 4 get paid or not.  
 5 A. Well, I think that first of all the exodus of  
 6 customers will kind of take care of that by itself  
 7 over time. We'll certainly provide any MCI customers  
 8 in our exchanges with long distance service. So from  
 9 that standpoint --  
 10 Q. Why would a customer exit them just because of that?  
 11 A. Oh, only because they're out of business and people  
 12 are shutting down their terminating ability across  
 13 the country.  
 14 Q. I don't think they'll have a choice, will they? Will  
 15 they be able to shut it down?  
 16 A. That's an open question.  
 17 Q. That's the question.  
 18 A. Yeah, that is a question. And no company, especially  
 19 a rural ILEC, can afford to just terminate anyone's  
 20 traffic unless we recover those costs someplace else  
 21 in the rate base.  
 22 Q. Well, I understand a lot of those companies have  
 23 contacted the FCC and said --  
 24 A. Yes.  
 25 Q. -- we need to do something. And we need to do it now

1 before we get any further. And I haven't heard any  
 2 answer from the FCC.  
 3 A. There is no answer yet.  
 4 Q. So I guess I'm saying are you going into this thing  
 5 at a time when that might be a problem that you would  
 6 foresee as well?  
 7 A. Yes, we are. And we are aware of the problem. We're  
 8 aware of the magnitude of the dollars involved.  
 9 Currently they have agreed to pay current. We're  
 10 classified as a utility in the bankruptcy proceeding  
 11 which means we're forced to offer them the service  
 12 under bankruptcy law and they should be paying us on  
 13 a current basis. And I shouldn't say we. Dakota  
 14 is. Now, that whole issue, the difference between  
 15 being classified as a utility in bankruptcy and a  
 16 critical vendor where all your past amounts should be  
 17 paid as well is what's currently being argued in the  
 18 bankruptcy court, and that's where the jurisdiction  
 19 of the FCC and ultimately the jurisdiction of the  
 20 State PUC. There is no precedent for this. There's  
 21 never been a bankruptcy like this before.  
 22 Q. Has the bankruptcy court said -- I can understand  
 23 past unpaid bills. We don't know where those fit.  
 24 But have they basically said going forward they have  
 25 to stay current?

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1 A. Yes. By classifying us -- I should say by  
 2 classifying McLeod as you a utility, their obligation  
 3 is to continue to pay the current charges. But there  
 4 is no obligation to pay what's known as pre-petition  
 5 debt.  
 6 **Q. Do you see any difference between the CLECs and ILECs**  
 7 **in that classification?**  
 8 A. No. It's the same problem. The costs are the same.  
 9 Your recovery under switched access is the same. And  
 10 if you can't get it on a batch of minutes because of  
 11 regulatory policy you'll have to get it someplace  
 12 else.  
 13 **Q. The point I was getting at is the definition of**  
 14 **utility.**  
 15 A. Oh, no. No.  
 16 **Q. I mean, I can imagine that there might be some that**  
 17 **would argue that an ILEC was only a provider of**  
 18 **essential service; CLEC is competitive.**  
 19 A. That depends whether you're a CLEC customer or not.  
 20 **Q. Well, will PrairieWave continue to do the CLEC**  
 21 **build-outs that McLeod's been doing?**  
 22 A. Yes, we will complete Watertown. We will continue to  
 23 expand as these markets expand, particularly in the  
 24 Lennox, Parker, Tea, Harrisburg area. That's a very  
 25 rapidly growing area. We do not currently envision

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1 in the business plan entering additional communities  
 2 although that is something that we will consider once  
 3 the integration is done with the company and we  
 4 finish Watertown and some of our other commitments.  
 5 **Q. Let me kind of run through those. I'm interested in**  
 6 **this part. You say Aberdeen is one of the**  
 7 **communities or not?**  
 8 A. No.  
 9 **Q. No, it's not?**  
 10 A. No.  
 11 **Q. Watertown is. Yankton is a build-out, basically**  
 12 **completed in Yankton?**  
 13 A. Yes.  
 14 **Q. I see Madison is on the list. Is it completed in**  
 15 **Madison?**  
 16 A. Yes. It's completed in Madison. By build-out we  
 17 mean all the fiber is laid and all the cable is laid  
 18 to the neighborhood pedestals. We don't have a drop  
 19 into the home unless we're providing services. So  
 20 that part is constructed as people sign up for the  
 21 service.  
 22 **Q. Those are the major CLECs. I think there's probably**  
 23 **a couple others on there. How many offers do you --**  
 24 **how many communities do you now offer, has Dakota**  
 25 **offered cable service in? All their communities?**

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1 A. I don't know the answer to that.  
 2 **Q. We can ask Brent.**  
 3 A. Brent will know the answer to that. Right, Brent?  
 4 **CHAIRMAN BURG: That's all the questions I have.**  
 5 A. And he'll continue to know that answer when he's part  
 6 of us, too.  
 7 **EXAMINATION BY COM. NELSON:**  
 8 **Q. Let's go back to the -- if MCI doesn't pay their**  
 9 **bill. They're supposed to be current. What can you**  
 10 **realistically do about it and at what point do you**  
 11 **pull the plug? If they're a day late? If they're a**  
 12 **week late? I mean, realistically what can you do?**  
 13 A. The general rule of thumb for current payment in the  
 14 telephone industries for CABS billing is 45 to 60  
 15 days beyond a billing date. If WorldCom -- first of  
 16 all, we're going to know whether they're paying  
 17 current by the time we close by August 30th because  
 18 there's another payment that's due between now and  
 19 then. So we have at least some track record of what  
 20 they're going to do there. If they don't pay we will  
 21 be petitioning -- we'll do one of several things.  
 22 We'll petition the FCC to block the traffic. We'll  
 23 petition this Commission to block their interstate  
 24 traffic and/or we'll petition this Commission to  
 25 change -- and the FCC -- to change our access rate

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1 because the costs have shifted. And the bad debt  
 2 cost from not being able to collect from MCI and  
 3 WorldCom would have gone up and would have gone up  
 4 substantially for this operation.  
 5 So it's at that point that we're going to face,  
 6 Mr. Chairman, the very situation that you've  
 7 indicated. I also know from discussions with the  
 8 other -- some of the other ILECs in the state that  
 9 they're having the same problem. So this is not just  
 10 PrairieWave-Dakota-McLeod alone. And we're going to  
 11 have to decide what to do as a community of companies  
 12 for the entire state, not just what would be good for  
 13 any individual company. But in general bad debt  
 14 expense is part of the normal operating expense and  
 15 it shows up in the cost study. And this is really no  
 16 different than that.  
 17 **EXAMINATION BY CHAIRMAN BURG:**  
 18 **Q. Well, and the real problem I see in the even bigger**  
 19 **picture, because MCI-WorldCom is so big, and they had**  
 20 **such a huge portion of, for example, the Department**  
 21 **of Defense contracts and other ones. And it's just**  
 22 **not easy to pull the plug and say we're not going to**  
 23 **complete any traffic that they have. So in that's**  
 24 **the one answer when I get asked by press or somebody**  
 25 **else is what effect it's going to have. We have no**

1 control. I'm really concerned about the effect it  
2 will have on the companies we do have control on, we  
3 do work with because they have to have access to  
4 interconnections.

5 A. Yes. WorldCom is one of the bigger IXCs in South  
6 Dakota. And primarily that's because they acquired  
7 Dial-Net which had a lot of the South Dakota  
8 business. So that's just kept ongoing over the last  
9 few years. I have a hard time imagining that the  
10 company will just totally fail in spite of all these  
11 accounting revelations that are coming out.

12 The fundamentals of the long distance business  
13 haven't changed. And while they're not hugely  
14 profitable anymore, they're a huge loss either  
15 anymore. So it's a matter of properly scaling their  
16 operations and all of the costs they have incurred in  
17 anticipation of more demand back to serve their  
18 existing customers. So I actually think it's far  
19 more likely that they will survive bankruptcy and  
20 come out a more viable company than we'll face the  
21 situation we're talking about.

22 Q. If they don't find a few more billion.

23 A. I don't think it even matters because they come out  
24 of bankruptcy with a clean slate and they provide  
25 service. They have one of the best networks in the

1 country. There's no question about that. So I know  
2 there's a viable business there. They haven't called  
3 me.

4 Q. Probably my biggest concern is that the pace FCC  
5 usually moves, or even SEC, or the courts, that we're  
6 going to have some people in trouble by the time they  
7 get to the cite and how it will be handled.

8 A. Yes. And I would expect all of the ILECs will come  
9 in with amended cost studies because of this if they  
10 don't pay current.

11 EXAMINATION BY COM. NELSON:

12 Q. I think QWEST indicated the other day that there  
13 might be one hundred million dollars that they're  
14 looking at a loss. And I think some of the companies  
15 said state-wide the network is looking at maybe  
16 fourteen million dollars. Today it was interesting I  
17 got telemarketed by MCI and interesting enough they  
18 said their possible highest rate would be five cents  
19 a minute, their lowest rate was two and a half cents  
20 a minute and there were no monthly surcharges. I  
21 mean, we're talking about a company that's in  
22 bankruptcy. And I said to this guy, I said, doesn't  
23 seem like you're going to be figuring out how to pay  
24 your bills if you're selling stuff cheaper than  
25 anybody else in the state.

1 A. That never made any sense.

2 Q. And it doesn't seem to be a good business plan now  
3 either.

4 A. No. Now they're hamstrung because of the FCC rules  
5 that require uniform charges across the United  
6 States. And we in South Dakota have taken advantage  
7 of that because the fact is that a lot of our  
8 customers on MCI pay less than what we charge for  
9 switched access. And that's part of what the problem  
10 with their business plan is.

11 I remember about ten years ago arguing in front  
12 of this same Commission that it's a question of where  
13 do you want this cost averaging to take place. You  
14 want it on a national level, state level, the county  
15 level, the company level? The FCC resolved that as a  
16 national level for interstate calling and the  
17 Commission resolved that as the state level for  
18 interstate carriage. And so that's how the industry  
19 has developed.

20 But the truth of the matter is that it costs  
21 more to terminate switched access in South Dakota  
22 than it does in other states. And you've seen the  
23 cost studies. And the costs, I mean, those are the  
24 costs. And the country either subsidizes the higher  
25 cost areas or it foregoes the benefit of the

1 advantages of a complete ubiquitous network. And  
2 what we're talking about here is a current ubiquitous  
3 network that's unraveling at the seams because of  
4 other business measures. But, again, I think the  
5 most likely case is MCI emerging with its long  
6 distance service intact, whether that's acquired by  
7 somebody else or whether that's still run by them.  
8 And hopefully we don't face a problem of actually  
9 having to block traffic. But the truth is we can  
10 block the traffic.

11 EXAMINATION BY COM. SAHR:

12 Q. What sort of oversight, either on the federal or  
13 state level, would have helped prevent this or would  
14 have helped prevent it going forward?

15 A. The WorldCom situation?

16 Q. Yes.

17 A. I don't think there's anything that can or should  
18 have been done on the telecom regulation end. I  
19 think that was pretty well monitored. Where they got  
20 into trouble was trying to satisfy the stock market  
21 and the overall profitability margins that the  
22 analysts were expecting in order to support their  
23 stock price. I know Scott Sullivan personally. He  
24 worked on the transactions when Dial-Net was  
25 acquired. I remember telling Tim Yeager and some

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1 other people that I just -- who also know Scott. We  
2 just couldn't believe he would do anything like that.  
3 And with the subsequent revelations we're even more  
4 shocked.

5 I can understand a capitalization policy. I  
6 mean, that's a gray area. But not to the extent that  
7 where you're just deliberately moving costs in order  
8 to meet a certain margin. That's financial fraud.  
9 So I'm just astounded that he did it. But it  
10 happened. He's not convicted yet so maybe there's  
11 more to the story than we know from what we get from  
12 the press and from the SEC, and so forth. But I do  
13 not believe that there's anything that this  
14 Commission could have done or the FCC could have done  
15 that would have made any difference in what happened  
16 there.

17 **Q. Is there anything different than you think we should  
18 be doing going forward to avoid these sort of  
19 problems?**

20 **A.** Well, there's a number of things that should be done  
21 on the SEC level, yeah, and are being done. I think  
22 the act that the President signed that made a number  
23 of legislative changes is good. I don't necessarily  
24 agree with the CEO certifying the statements but --

25 **MR. BURG: I can't imagine why not.**

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1 **A.** Who's going to be CFO?

2 **Q. Are you changing your title?**

3 **A.** Just because it's -- especially I can imagine in the  
4 large corporation how would you know what's going on  
5 in the accountings. You assume the CFO is taking  
6 carry of that. And probably Bernie Everest presumed  
7 the same thing at WorldCom. I don't think that's  
8 something that telecom regulation can fix.

9 And the other way would be to go back to  
10 complete regulation of long distance. And I don't  
11 think we want to go back down that path. The added  
12 cost of doing that is probably more even than the  
13 failures that we've had in the existing system with  
14 the financial oversight by the SEC and the other  
15 accounting bodies.

16 So I think it's an unfortunate situation. I  
17 think people got caught up in the greed of the  
18 market. And a lot of people suffered because of  
19 that. And those people are being caught, and they're  
20 being arrested, and I think the system is basically  
21 working. And the improvements that have been made  
22 should strengthen that.

23 **CHAIRMAN BURG: Let me ask one more  
24 philosophical question.**

25 **EXAMINATION BY CHAIRMAN BURG:**

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1 **Q. If you were allowed -- if you were allowed to cut off  
2 a service, stop it, of course that would be the  
3 quickest way to end it. They would lose their  
4 customers because they couldn't complete calls,  
5 et cetera. Would that be a good thing in the  
6 business to get it all out, to get it so we don't  
7 have hemorrhaging someplace else?**

8 **A.** I tell you, Mr. Chairman, that's a difficult one for  
9 us because that's our customer. So now we've cut his  
10 mother off from calling him. So it's not an easy  
11 decision for us to just decide we're going to block  
12 traffic. If we are going to block traffic we would  
13 run a recorded announcement that would say that  
14 you're calling over the MCI-WorldCom network.  
15 They've not been paying their bills and therefore we  
16 cannot complete your call.

17 **Q. Probably looking at the bigger picture. Can the  
18 country handle them disappearing on that basis? Of  
19 course somebody else would buy up the assets and you  
20 would still have the fiber and the lines being  
21 operated.**

22 **A.** That's right. Well, currently there is surplus  
23 capacity with Sprint, AT&T.

24 **Q. They both said they could absorb everything.**

25 **A.** Absolutely. Level three could probably do it, too,

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1 if they wanted to. So I'm not concerned in the long  
2 run that this could straighten itself out. There  
3 will be a huge disruption when any policymaker  
4 decides it's okay to start blocking traffic. And  
5 that may be where we will have to go in order for  
6 this Commission's authority and responsibilities to  
7 be recognized by the federal bankruptcy court, for  
8 example. But I certainly hope we don't get into that  
9 situation.

10 **MR. SMITH: I have a couple of questions.**

11 **EXAMINATION BY MR. SMITH:**

12 **Q. Does the transaction have to get the blessing of the  
13 bankruptcy, the McLeod bankruptcy?**

14 **A.** McLeod's out of bankruptcy so the bankruptcy court is  
15 no longer needed. What is needed is an official  
16 release from their financing, their major banks,  
17 which I believe is held by J.P. Morgan. And we  
18 already have that consent.

19 **Q. Is there a document?**

20 **A.** The document's confidential. But we'd certainly be  
21 willing to provide it on a confidential basis.

22 **Q. Okay. I would appreciate that.**

23 **A.** That document, by the way, won't get signed until the  
24 closing.

25 **Q. Were there any -- are there any conditions as -- are**

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1 there any conditions related to that document?  
 2 A. No. It's entirely within McLeod's discretion to sell  
 3 their non-core assets.  
 4 Q. This is a non-core asset?  
 5 A. It's specifically described as a non-core asset.  
 6 Q. Are all of the local exchanges in which you're a  
 7 CLEC, are they all QWEST ILECs?  
 8 A. No. Although, and again you would have to check with  
 9 Brent, the ones in South Dakota might all be QWEST.  
 10 Q. That's what I'm talking about.  
 11 A. Yes. That might be the case. Brent would know  
 12 that. But we also operate in Frontier communities in  
 13 Minnesota which has now been acquired by Citizens.  
 14 But I think in South Dakota it's all QWEST.  
 15 CHAIRMAN BURG: I think so.  
 16 Q. Actually it was your attorney who brought up the  
 17 issue of Davis, which Exhibit G contains the list of  
 18 ILECs and CLEC exchanges. Which list is Davis on?  
 19 A. ILEC.  
 20 Q. It's an ILEC.  
 21 CHAIRMAN BURG: Let me ask one.  
 22 EXAMINATION BY CHAIRMAN BURG:  
 23 Q. Do you have to get FCC approval for this?  
 24 A. Yes, we do. We made a Section T-14 application. And  
 25 we have approval, I believe, on -- was it domestic

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1 approval today?  
 2 MR. HEASTON: Today.  
 3 EXAMINATION BY MR. SMITH:  
 4 Q. In terms of -- back in the Petition it states that  
 5 the DCT operates the incumbent local exchanges and  
 6 MTT the CLEC exchanges. What I understood that to  
 7 mean then is that basically on this list of exchanges  
 8 that if I were to write at the top of there Dakota  
 9 Community Telephone, those are the ones that are  
 10 called incumbent exchanges that are -- instead of  
 11 operated, are they owned and operated --  
 12 A. Yes. They're owned and operated by this one.  
 13 Q. Maybe I'm asking that because I may have to write the  
 14 order here. And I think actually Mr. McCaulley  
 15 pretty well covered this, but just again so I know  
 16 how generalized we can make the findings here. Are  
 17 there any differences at all between the way that  
 18 this transaction will affect any particular exchange  
 19 within our jurisdiction within South Dakota?  
 20 A. No.  
 21 Q. So everything will be precisely the same in terms of  
 22 the transaction at least what will affect it?  
 23 A. From the customer standpoint it should be transparent  
 24 except for the brand name. One possible exception  
 25 would be Watertown where we are ready to roll the

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1 plows as soon as we close so we can develop as much  
 2 as we can this year before the weather closes us  
 3 down.  
 4 Q. There won't be any adverse changes anywhere as a  
 5 result of this transaction?  
 6 A. Not that I'm aware of.  
 7 Q. So there's no reason in the order that we have to  
 8 differentiate or carve out any special conditions for  
 9 any particular community as far as you're concerned?  
 10 A. No.  
 11 MR. SMITH: I think that's about it. Just a  
 12 second here.  
 13 (BY MR. SMITH:)  
 14 Q. Will the documents that we haven't seen, the  
 15 Commission hasn't seen those, are there documents  
 16 that will give us a little better flavor for the way  
 17 the financing is going to work here?  
 18 A. Yes.  
 19 Q. I'm assuming that's imminent.  
 20 A. What is in there is a generic description pretty  
 21 similar to the testimony that I've given you this  
 22 evening. We do have copies of the signed commitment  
 23 letters, but those have to be viewed in a  
 24 confidential basis. I'm not authorized to release  
 25 them. They could be viewed tonight if you wish. We

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1 could provide them to you as long as they were kept  
 2 confidential.  
 3 Q. If the Commission were to issue its order with one of  
 4 the conditions being that the commitments who were  
 5 actually funding, in fact, whatever the level is,  
 6 that they have to be --  
 7 A. That this won't happen unless they do that? Yeah, it  
 8 would be. It would be.  
 9 Q. It would be a problem?  
 10 A. It would be a problem, yeah. They would like to not  
 11 see that condition. The fact is that the final  
 12 break-down of which bank provides which dollars of  
 13 funds won't be agreed to until the last minute.  
 14 Q. What if they weren't specific as to that?  
 15 A. Essentially what you would be saying is that we agree  
 16 so long as it closes. And that's fine. I mean,  
 17 Minnesota -- what Minnesota does is it says we agree,  
 18 but you need to provide us a notice that the  
 19 transaction was completed within 60 days, 30 days.  
 20 MR. HEASTON: Ten days.  
 21 Q. And that's because the sale agreement makes close --  
 22 makes obtaining X dollars worth of financing a  
 23 condition. I'm trying not to say the amount because  
 24 I assume that's confidential.  
 25 A. That's highly confidential.

1 Q. And, lastly, do the documents that we haven't looked  
2 at yet, do those contain any kind of pro forma cash  
3 analysis?

4 A. There is a pro forma balance sheet that we provided  
5 with the original filing.

6 Q. I've got that. Is there a cash flow analysis?

7 A. No, there is not. There is obviously a very  
8 significant forecasting model that we've developed to  
9 make sure we meet all the covenants and so forth.  
10 That is highly proprietary. I can tell you that we  
11 do meet all the covenants that are in our commitment  
12 letters and that we do so rather easily at this  
13 point.

14 Q. Without a cash flow -- pro forma cash analysis, how  
15 can we make a judgment as to whether your  
16 capitalization is adequate?

17 A. Was the Commission provided with the financial  
18 statements for Dakota's operations? It was? In  
19 Exhibit C-1.

20 Q. Those are the historical --

21 A. Yes. Yes. There's a 12-month historical performance  
22 on an income statement basis which is what you would  
23 determine cash flow from for both the CLEC and the  
24 ILEC.

25 Q. And will the cost side of that income statement

1 remain essentially materially the same following the  
2 transaction?

3 A. Yes. Through the gross margin it will remain  
4 almost -- well, certainly would be materially the  
5 same. On the operating cost side there will be some  
6 additional costs that we bring because we bring in a  
7 senior management team. However, that's offset by  
8 allocations that come down from McLeod for overhead  
9 allocations. And in our analysis the added costs  
10 that we add is less than the costs that McLeod  
11 allocates out. So I can push it to that extent, I  
12 guess.

13 Q. What about the cost of capital? Is that materially  
14 different or is that the same thing?

15 A. Well, our cost of capital is, boy, that's a  
16 complicated question. First of all, I haven't  
17 calculated McLeod's cost of capital after  
18 bankruptcy. So I don't know what theirs is. I do  
19 know that they've been funding these operations  
20 mostly by throwing cash out and not funding any new  
21 cash in. Although they spent a significant amount of  
22 dollars billing out the exchanges over the past few  
23 years. All that money has been funded internally and  
24 their funding like ours happens at a much higher  
25 level so it's hard to know where these operations,

1 what the cost of capital is. I know what the cost of  
2 capital is for PrairieWave. And I know that the  
3 return that is being asked by our equity investors is  
4 handily provided by these operations without drawing  
5 cash out that McLeod has been drawing out.

6 So when you look at the operations here and look  
7 at what the net income line is and look at what the  
8 cash flow is, this has been gone through in great  
9 detail by our equity advisors and our banks. And  
10 it's proven adequate to them to provide the return  
11 that they want to make the investment.

12 Q. I see. I guess one last summary question here and  
13 then I'm going to be quiet, Mr. Chairman. Do you  
14 testify under oath that the financing arrangements  
15 that you have made will be adequate to provide an  
16 adequate access to cash and working capital to  
17 maintain a viable business?

18 A. Absolutely. Without any hesitation. The agreement  
19 itself requires that we have a positive five million  
20 dollars in working capital. And to that we're going  
21 to add three to four million dollars worth of cash.  
22 So I can tell you that much. But I have no  
23 hesitation at all in stating that these exchanges  
24 will be well run from a financial standpoint and more  
25 than adequately funded.

1 MR. SMITH: I have nothing else.

2 COM. NELSON: I have a couple of questions.

3 EXAMINATION BY COM. NELSON:

4 Q. In some of the other sale of exchanges we've required  
5 as a condition of sale that they not raise rates for  
6 eighteen months. Would that be okay?

7 A. I don't ever intend to raise rates personally. I  
8 think that -- I think that what is much more likely  
9 to happen is that we'll have a new kind of service  
10 that will be charged on a different basis, for  
11 example, Voice Over IP. You wouldn't charge that by  
12 the minute anymore. You wouldn't -- maybe make a  
13 flat charge for that. But the cost of providing that  
14 service is so different that even though it's the  
15 same service from the consumer's point of view the  
16 pricing would be different on it. So I don't -- I  
17 don't see where -- we certainly have no plans, and I  
18 see no need at this point to increase any rates.

19 Q. Do you plan to recover any of your acquisition costs  
20 through interstate or intrastate rates, and are there  
21 any?

22 A. Oh, yeah, there are plenty of costs. The costs are  
23 fully funded by the equity. The equity is taken into  
24 consideration when they make their investment into  
25 PrairieWave, the holding company at the top, and have

1 determined that the income and cash flow from these  
2 businesses is more than adequate to provide them with  
3 an adequate return.

4 Now, dollars are fungible when you're looking at  
5 bottom line cash flow. And it's hard to tell did I  
6 use that USF funding to build that fiber loop or did  
7 I use that to provide return to the equity investor?  
8 I would argue that all of that money's invested in  
9 our plan first and then whatever is left over is what  
10 goes to the equity investor.

11 In that sense I would answer your question no.  
12 We would not be using those funds to provide return  
13 to our investor. The fact is it all gets thrown into  
14 the same pot. We take out all of the requirements  
15 for running and improving and maintaining the systems  
16 and then whatever is left over is available to  
17 provide a return to our investors. Our investors do  
18 not expect that they will get current returns.  
19 They're in it for the long-term. We expect that we  
20 will be reinvesting most of the cash back into the  
21 system.

22 COM. NELSON: Thank you. That's all.

23 CROSS-EXAMINATION BY MS. CREMER:

24 Q. I just wanted to clarify when he was talking on  
25 Exhibit C-1, and that's confidential. I'm sure you

1 know that.

2 A. Yes.

3 Q. Just to make clear that the Commission understands,  
4 all that financial information is solely the CLEC;  
5 nothing's been submitted for the ILEC. Isn't that  
6 true?

7 A. Oh, this exhibit is just the CLEC?

8 Q. Right. And we've never received anything on the  
9 ILEC.

10 A. Is that true? I know we can provide it.

11 Q. I thought we had asked before and we've never gotten  
12 anything on that.

13 A. PrairieWave has no objection to providing it on  
14 exactly the same type basis.

15 Q. Well, and then while you're looking at that C-1, and  
16 just when you look at January, February, and March,  
17 the numbers -- let's see, the income statement  
18 monthly for the period ending May 31, 2002.

19 A. Uh-huh.

20 Q. We're on the same, under revenues, local and long  
21 distance, that top line.

22 A. Uh-huh.

23 Q. And it's more a curiosity factor on my part.  
24 January, February, and March are the exact same  
25 number right down to the penny.

1 A. Uh-huh.

2 Q. How is that?

3 A. That was because they couldn't get accurate revenue  
4 determinations from their billing system at the time.

5 Q. So those numbers would be different?

6 A. Those numbers should be different.

7 Q. Okay.

8 A. But it was solved and was made up for in the  
9 subsequent months. So they made an adjustment and  
10 they just averaged it across the other months.

11 Q. Okay.

12 A. Now, by the way we will be putting in a new billing  
13 system. That's why Eugene McCord is part of our  
14 management team. He put in the billing system at  
15 Dial-Net and he helped Dakota with its new billing  
16 system and now he gets to do it a third time here in  
17 South Dakota. And that will provide us with much  
18 more level process than is currently provided and  
19 we'll also be installing a new accounting system,  
20 too. But from -- as I look at that I'm almost  
21 certain that's what happened in this matter. Now,  
22 would the Commission like, and the staff like this  
23 same information for the ILEC?

24 MS. CREMER: I believe -- didn't we want to look  
25 at that? We know we wanted it before.

1 CHAIRMAN BURG: We probably should.

2 THE WITNESS: Can you make a note of that? It  
3 will be in identical format.

4 MS. CREMER: Okay. I'm done.

5 MR. SMITH: Mr. McCaulley, do you have any  
6 redirect?

7 MR. McCAULLEY: Yes. If the Commission permits  
8 I have just two -- one area just quickly to follow up  
9 on.

10 REDIRECT EXAMINATION BY MR. McCAULLEY:

11 Q. On cross-examination you testified that there are two  
12 other states that PrairieWave is attempting to  
13 acquire exchanges in.

14 A. Yes.

15 Q. Minnesota and Iowa. Is that correct?

16 A. Yes.

17 Q. If you know, can you give us the status of those in  
18 terms of the regulatory status of the approval?

19 A. Yes, I believe Iowa has approved the transaction. I  
20 saw that order. Minnesota has -- I believe it's on  
21 their consent docket for it's either this week or  
22 early next week. In other words, in Minnesota they  
23 have a separate staff and it's physically separate  
24 from the PUC. It's gone through the staff and it's  
25 over on the PUC calendar which the consent calendar

1 is one they move all at once. And that's as we have  
 2 our approval.  
 3 **MR. McCAULLEY:** Thank you. I have no further  
 4 questions.  
 5 **MR. SMITH:** Staff?  
 6 **MS. CREMER:** None.  
 7 **MR. SMITH:** Commissioners?  
 8 **CHAIRMAN BURG:** No.  
 9 **MR. SMITH:** You're excused, Mr. Anderson. Thank  
 10 you very much.  
 11 (Witness excused.)  
 12 **MR. SMITH:** Mr. McCauley, please call your next  
 13 witness.  
 14 **MR. McCAULLEY:** Thank you. Petitioners would  
 15 like to call Mr. Brent Norgaard, please. This one  
 16 would be shorter.  
 17 **BRENT NORGAARD,**  
 18 called as a witness, being first duly sworn,  
 19 testified and said as follows:  
 20 **DIRECT EXAMINATION BY MR. McCAULLEY:**  
 21 **Q.** Mr. Norgaard, how are you tonight?  
 22 **A.** I'm just wonderful. Thank you.  
 23 **Q.** Would you please spell your name and provide your  
 24 business address for the record, please?  
 25 **A.** Yes. My name is Brent Richard Norgaard. B-R-E-N-T,

1 R-I-C-H-A-R-D -- I haven't had to spell that for a  
 2 while -- N-O-R-G-A-A-R-D. My business address is  
 3 5100 South McLeod Lane, Sioux Falls, South Dakota  
 4 57108.  
 5 **Q.** And you're presently employed by McLeod. I'd like  
 6 you to talk a little bit about your educational and  
 7 occupational background leading up to your present  
 8 employment with McLeodUSA.  
 9 **A.** I would be glad to. I grew up in a small town  
 10 actually and so this operation is very -- I have a  
 11 lot of interest in this because just being familiar  
 12 with small towns. I grew up in Harlan, Iowa.  
 13 Graduated from high school there and attended Iowa  
 14 State University. Graduated with a Bachelor of  
 15 Science degree in electrical engineering in 1985. I  
 16 don't have the long list of credentials that  
 17 Mr. Anderson has as attorney and CPA and lawyer and  
 18 all those things, but I've been in the  
 19 telecommunications business for sixteen years. I was  
 20 a general manager of an operation in Des Moines  
 21 called MWR Telecom. And in 1986 an operation --  
 22 yeah, excuse me, in the early '90s that operation was  
 23 acquired -- '92 that operation was acquired by  
 24 McLeodUSA. And I joined that staff then. So, excuse  
 25 me, it was 1995. Joined McLeodUSA then and I've held

1 various roles at McLeodUSA in network design, network  
 2 deployment, and sales and marketing.  
 3 **Q.** And your present position with McLeodUSA?  
 4 **A.** I'm the vice-president and general manager of the  
 5 Dakota's operation.  
 6 **Q.** And what is your expected role in PrairieWave  
 7 Communications?  
 8 **A.** I've accepted a position of being vice-president and  
 9 chief operating officer of the company.  
 10 **Q.** What will that role involve?  
 11 **A.** Very similar to my role today. I have  
 12 responsibilities for marketing and sales, customer  
 13 care, including customer service, service, delivery,  
 14 credit and collections, billing, also accounting,  
 15 network. That covers it all.  
 16 **Q.** All right. Thank you. Could you talk a little bit  
 17 about the hardware that's located in each of the  
 18 exchanges? Could you briefly describe the condition  
 19 of each exchange being purchased by PrairieWave  
 20 Communications? And before you start with your  
 21 answer feel free to make generalizations as  
 22 applicable to these exchanges, and if there are  
 23 differences point those out to the Commission.  
 24 **A.** Thank you. I can do that. We have a central  
 25 switching center located in Viborg, South Dakota.

1 That switching center is connected to all of our  
 2 remote locations and ILEC communities over a one  
 3 hundred percent fiberoptic diverse network, carried  
 4 by Sonnet signal, and there's one hundred percent  
 5 route diversity on those. If there was a cable cut  
 6 on any one location the sonnet signal would  
 7 automatically switch to route the equipment to the  
 8 other direction and all of our ILEC communities would  
 9 continue their service. Each of the communities have  
 10 its own switch or remote switch -- excuse me -- and  
 11 then obviously the distribution of copper, and in  
 12 some markets co-dex.  
 13 **Q.** What in terms -- would it be fair to classify the  
 14 equipment in the exchanges as modern state-of-the-art  
 15 telecommunication equipment?  
 16 **A.** Yes, it is. All the transport equipment that I  
 17 mentioned is state-of-the-art equipment. We are in  
 18 the process of upgrading our ILEC communities to have  
 19 fiber in the loop all the way out to the  
 20 neighborhoods. And that is in the process. That's  
 21 about one-third done. And we will complete the final  
 22 two-thirds over the next five years.  
 23 **Q.** How will the state-of-the-art telecommunication  
 24 services that you have right now, how will that help  
 25 promote economic development in these exchanges?



1 A. Well, I can tell you one of the major things that new  
 2 businesses look for when they're looking at business  
 3 development in a market is state-of-the-art  
 4 communication. Communications has become such a  
 5 vital part of how businesses communicate and work.  
 6 High-speed Internet and state-of-the-art telephone  
 7 services and features are vitally important. So the  
 8 fact that we have services and systems in place to  
 9 support economics, the growth in these communities is  
 10 a plus to these markets.

11 Q. How, too, will those same telecommunication or  
 12 state-of-the-art services help promote telemedicine?

13 A. Again, telemedicine again is used, as is  
 14 telecommunications, in a larger role as we go  
 15 forward. And the fact that we have the  
 16 state-of-the-art telecommunication services in place  
 17 and available for use, that's a way to enhance and  
 18 further the deployment of telemedicine in our  
 19 markets. We have a consultant that we work with that  
 20 has been promoting telemedicine, telecommunication  
 21 services, and we haven't had any takers obviously in  
 22 the health systems that are in place in our markets  
 23 where we serve. Obviously they're using our services  
 24 in those incumbent services and using some of the  
 25 state-of-the-art facilities, but we don't have a

1 comprehensive telemedicine plan in place. We've been  
 2 working with some of the major health centers in  
 3 Sioux Falls, but we don't have any comprehensive  
 4 system in place.

5 Q. But would the existing system, the existing  
 6 telecommunication hardware, that could support the  
 7 telemedicine operation?

8 A. Absolutely. All the systems are from the structure.

9 Q. How about distance learning? Would the existing  
 10 technology that is there in each of the exchanges,  
 11 would that support distance learning initiatives?

12 A. Absolutely. In thirteen of our markets, primarily in  
 13 the ILEC markets, we have full motion, interactive,  
 14 two-way video conferencing services in place. And  
 15 it's been in place for several years and continues to  
 16 be used. And we have the capability of doing that in  
 17 any of our markets.

18 Q. So let me just make a general summary statement  
 19 here. In all the exchanges then the capability is  
 20 there to provide for telemedicine and distance  
 21 learning?

22 A. Yes. Correct.

23 Q. Is that correct?

24 A. That's correct.

25 Q. All right. Thank you. Are there any plans -- in

1 your role in PrairieWave Communications are there any  
 2 plans to reduce or limit the range of services that  
 3 are presently being provided in these exchanges?

4 A. No. Absolutely not. We're going to continue to  
 5 provide the services that we have. We offer phone to  
 6 local and long distance telephone service, cable TV  
 7 services, dial-up Internet access services, and  
 8 high-speed cable modem access services, and private  
 9 lines specialized services for business, and we will  
 10 continue to do so with PrairieWave.

11 Q. And in addition to those current services that  
 12 you're -- that McLeod is offering, and you just  
 13 testified that you aren't planning on reducing, what  
 14 is the capital investment plan for PrairieWave for  
 15 additional investment in each of these exchanges?

16 A. In our ILEC communities our capital plan over the  
 17 next five years is to spend \$1.2 million across the  
 18 fourteen communities and nine exchanges in upgrades  
 19 to facilities and the roll-out of new products.

20 Q. Can you give me examples of some of those new  
 21 products or additional services or enhanced services?

22 A. Mr. Anderson touched on those, but digital subscriber  
 23 line services which is a form of high-speed Internet  
 24 access using telephone lines is one of those that we  
 25 have on the table right now. Digital cable TV

1 services. Those are two of the services that are on  
 2 the plans right now.

3 Q. Explain the commitment of PrairieWave Communication  
 4 to high speed band in rural South Dakota.

5 A. Our goal is to be able to provide high-speed Internet  
 6 access to any one of our customers located in our  
 7 communities. Obviously it's a challenge to be able  
 8 to provide high-speed Internet out to the rural  
 9 areas. We have some limitations there. We are  
 10 committed to carrying that high-speed Internet as far  
 11 as out into the network as practically possible.

12 Q. Do you presently offer or does McLeodUSA presently  
 13 offer dial-up Internet services in all of the  
 14 exchanges?

15 A. That's correct.

16 Q. Is that local call or long distance?

17 A. It's all local calling from all of our markets that  
 18 we serve in South Dakota.

19 Q. Will PrairieWave continue that offering?

20 A. Correct.

21 Q. If the sale is not approved do you have any idea what  
 22 McLeod plans on doing with the exchanges?

23 A. I know that McLeodUSA's plan would be -- since this  
 24 is a non-core operation to McLeod's business plan  
 25 that we would do -- McLeodUSA would perform the

1 minimum requirements as culled out in our  
2 requirements to be a local exchange carrier in the  
3 State of South Dakota.

4 **Q. When you say the minimum requirements, what would  
5 that mean with regard to future capital investment in  
6 these exchanges?**

7 A. Minimal capital investment. It would be just to  
8 maintain the existing plant. The upgrades that I  
9 mentioned before would be put on hold. The new  
10 products that we discussed would be put on hold.

11 **Q. Finally, can you just explain briefly why you believe  
12 this sale is in the best interest of the public and  
13 the customers serving these exchanges?**

14 A. Mr. Anderson touched on that in his comments. I  
15 fully believe that this is in the best interest of  
16 our communities, our customers, and our employees.  
17 McLeodUSA is providing service across 25 states over  
18 a million telephone lines, approximately 500,000  
19 customers. And their focus is broad and wide.

20 And the fact that we're a non-core asset in the  
21 system division to McLeod really limits our ability  
22 to get and fight for capital, to do the things we  
23 need to do here to enhance services. The fact that  
24 PrairieWave -- this is their sole business. This is  
25 the business that they believe in and this is all

1 they're doing. We're in 36 markets across the small  
2 geographical area. With this as its core business  
3 plan I'm certain we'll get the attention, the  
4 customers, and the markets. We'll get the attention  
5 that they deserve and maintaining and upgrading and  
6 enhancing services we offer today.

7 **MR. McCAULLEY: Thank you. No further  
8 questions.**

9 **MR. SMITH: Ms. Cremer?**

10 **MS. CREMER: Thank you.**

11 **CROSS-EXAMINATION BY MS. CREMER:**

12 **Q. Mr. Norgaard. Do you know, do all these exchanges  
13 have schools?**

14 A. No, they do not. Not all of them. There are a few  
15 that have grade schools only. There are some that do  
16 not have schools. I have a list of those in here.

17 **Q. I guess basically my question is is it a toll call  
18 for the students to call their school?**

19 A. No, it is not. In fact, in our CLEC market of Elk  
20 Point, Elk Point Jefferson are a joint community  
21 school. And that was a toll call prior to our  
22 involvement and over-build of Elk Point. And we  
23 worked with the phone company in Jefferson to make  
24 that a local call between those two communities.

25 **Q. And that will remain that way?**

1 A. That's correct.

2 **Q. Do you know what the current customer service hours  
3 are?**

4 A. Yes, I do. Monday through Thursday they operate from  
5 7:00 to 6:00. Friday is from 8:00 to 5:00. Saturday  
6 from 8:00 to 4:00 and we're closed on Sunday. But  
7 all of our calls are answered 7-by-24-365 outside of  
8 those hours that I mentioned. All the calls roll to  
9 our operating division which operates  
10 7-by-24-by-365. And they all have access to our  
11 on-call technicians. So if there's any kind of an  
12 outage or repair that's needed they can page out our  
13 technicians that can go make the repair. If it's a  
14 lifeline service we'll dispatch somebody  
15 immediately. If it's a non-essential service  
16 typically we'll wait until the next business day.

17 **Q. Are your trouble reports currently handled or will be  
18 handled in the future by someone actually answering  
19 the phone or is it a leave a message menu type? How  
20 is that going to work?**

21 A. That's a great question. All of our calls are  
22 answered by a live body. Our customer service center  
23 here in Viborg or the operator services division in  
24 Sioux Falls answer with a live voice 7-by-25-by-365.  
25 And that will continue. Our Internet tech support

1 group operates under a little bit different hours.  
2 They work from 6:00 a.m. until 12:00 p.m. They're  
3 off from 12:00 a.m. to 6:00 a.m. And the customer  
4 will receive a voice mail message or a voice  
5 mailbox. As soon as they have the option in that  
6 message box to page out our on-call technician will  
7 return the call in fifteen minutes.

8 **Q. Is the local rate the same in all of the exchanges?**

9 A. To my knowledge it is.

10 **Q. And what is that rate?**

11 A. I believe that's thirteen seventy-five.

12 **Q. Does that include vertical features?**

13 A. What do you mean by that?

14 **Q. Caller ID, call waiting?**

15 A. No. That's just for basic service. The features  
16 would be an additional cost on top of that.

17 **Q. Is there any difference in rate between a rural rate  
18 and a city rate?**

19 A. No, there's not.

20 **Q. What notification of this hearing was made to the  
21 subscribers of Dakota Community Telephone and  
22 McLeodUSA Telecom Development?**

23 A. There was a press, joint press release released on  
24 the date of signing of the agreement. We have put a  
25 bill stuffer in the bills that went to customers to

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1 notify them of the pending sale. And that was done  
 2 over the last -- in the last 45 days.  
 3 **Q. But was there anything about this hearing in**  
 4 **particular?**  
 5 A. Oh, no.  
 6 **Q. Okay.**  
 7 A. Sorry.  
 8 **MS. CREMER: That's all I have.**  
 9 **MR. SMITH: Members of the Commission?**  
 10 **CHAIRMAN BURG: I have just one.**  
 11 **EXAMINATION BY CHAIRMAN BURG:**  
 12 **Q. When McLeod went into bankruptcy how many people in**  
 13 **South Dakota were laid off, do you know?**  
 14 A. Well, none of them are directly related associated  
 15 with the bankruptcy Chapter 11 filing. We have had  
 16 layoffs as a result of our business needs. So we've  
 17 had two rounds of layoffs. One was in July of 2000,  
 18 excuse me, and then we've had one more in 2000. And  
 19 total number affected in those two layoffs was  
 20 approximately 45.  
 21 **Q. How many here in Viborg?**  
 22 A. I don't know the answer to that.  
 23 **Q. Do you know, will there be some rehiring, some new**  
 24 **hiring because of this transaction?**  
 25 A. We anticipate that. In fact, right now we have about

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1 ten openings. And there are openings right now in  
 2 Viborg and in Sioux Falls for customer care reps,  
 3 service delivery personnel. And we are advertising  
 4 for those right now. We do anticipate as we continue  
 5 to add customers to the customer base that we will  
 6 add customer service staff to support those  
 7 customers. So we do anticipate additional staff as  
 8 we move forward.  
 9 **MR. SMITH: Mr. McCaulley?**  
 10 **MR. McCAULLEY: Just one follow up.**  
 11 **REDIRECT EXAMINATION BY MR. McCAULLEY:**  
 12 **Q. If PrairieWave Communications is able to acquire the**  
 13 **stock in this company do they have plans to layoff**  
 14 **any additional employees presently employed in these**  
 15 **two companies?**  
 16 A. Absolutely not. Any loss of employees would be  
 17 performance based only, but none of them are  
 18 associated -- we have no planned reductions in force.  
 19 **MR. McCAULLEY: Thank you. Nothing further.**  
 20 **MR. SMITH: Ms. Cremer?**  
 21 **MS. CREMER: I have nothing.**  
 22 **MR. SMITH: You're excused.**  
 23 (Witness excused.)  
 24 **MR. SMITH: Do you have more additional**  
 25 **witnesses?**

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1 **MR. McCAULLEY: I have no further witnesses.**  
 2 **MR. SMITH: Staff, do you want to proceed or do**  
 3 **you want to take a short break and give the court**  
 4 **reporter a slight rest?**  
 5 **MS. CREMER: Yes, we can do that.**  
 6  
 7 (A recess was taken.)  
 8  
 9 **HARLAN BEST,**  
 10 **called as a witness, being first duly sworn,**  
 11 **testified and said as follows:**  
 12 **DIRECT EXAMINATION BY MS. CREMER:**  
 13 **Q. Would you state your name and address for the record?**  
 14 A. My name is Harlan Best. Business address is State  
 15 Capital Building, Pierre, South Dakota 57501.  
 16 **Q. And would you summarize your education and work**  
 17 **experience, please?**  
 18 A. I graduated from the University of South Dakota in  
 19 May of 1975 with a Bachelor of Science degree in  
 20 business administration majoring in accounting. I  
 21 received my public accountant's license in July of  
 22 the same year. I commenced employment with the South  
 23 Dakota Public Utilities Commission in October of 1975  
 24 as a utility analyst. I was named the deputy  
 25 director of its utilities division in April of 1987.

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1 In July of 1998 the Commission restructured the  
 2 organization and eliminated the deputy director  
 3 position. I have been a utility analyst since that  
 4 time. I have attended a number of seminars and  
 5 workshops related to utility matters since my  
 6 employment with the Commission.  
 7 **Q. Were you the analyst assigned to this docket?**  
 8 A. Yes.  
 9 **Q. And what sort of documents -- what did you look at in**  
 10 **your analysis?**  
 11 A. I looked at the Petition that was filed, and I also  
 12 submitted a data request to William Heaston and a  
 13 response was received by the Commission.  
 14 **Q. And what is the purpose of your testimony tonight?**  
 15 A. The purpose of my testimony is to give my opinion to  
 16 the Commission regarding the purchase of Dakota  
 17 Community Telephone and McLeodUSA Telecom Development  
 18 by PrairieWave Communications from McLeodUSA  
 19 Holdings, Inc., and McLeodUSA Telecommunications  
 20 Services, Inc., respectively.  
 21 **Q. Do these two companies presently have a certificate**  
 22 **of authority to operate as telecommunications**  
 23 **companies?**  
 24 A. Dakota Community Telephone received a certificate of  
 25 authority from Docket TC97-164. And McLeod Telecom

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1 Development, Inc., received its certificate of  
 2 authority in Docket TC96-050.

3 **Q. And are both of these companies incumbent**  
 4 **telecommunication companies?**

5 A. No. Dakota Community Telephone is the incumbent  
 6 carrier for the exchanges of Alsen, Beresford, Rural  
 7 Chancellor, Flyger, Gayville, Hurley, Davis, Irene,  
 8 Lennox, Monroe, Parker, Volin, Wakonda, and  
 9 Worthing. McLeodUSA Telecom is a competitive local  
 10 exchange carrier in the exchanges of Canton,  
 11 Centerville, Colman, Elk Point, Flandreau,  
 12 Harrisburg, Madison, North Sioux City, Tea, Viborg,  
 13 Watertown, and Yankton.

14 **Q. Has either Dakota or McLeodUSA been granted ETC**  
 15 **status by this Commission?**

16 A. Dakota was granted ETC status. And I would like to  
 17 explain how Dakota ended up with that ETC status.

18 **Q. Go ahead.**

19 A. Dakota Cooperative Telecommunications, Dakota  
 20 Telecom, Inc., and Dakota Telecommunications Systems  
 21 filed for ETC status on March 25th, 1997, in Docket  
 22 TC97-030. On May 29th of 1997 Dakota Cooperative  
 23 Telecommunications filed an Amended Petition asking  
 24 for ETC status only to the cooperative, Dakota  
 25 Cooperative. The Commission granted ETC status to

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1 Dakota Telecommunications Group which was formerly  
 2 known as Dakota Cooperative Telecommunications. This  
 3 was done on September 9 of 1997 at a Commission  
 4 meeting.

5 Dakota Cooperative Telecommunications changed  
 6 its name to Dakota Telecommunications Group on  
 7 July 30 of 1997. On October 15th of 1997 the  
 8 Commission received an application for certificate of  
 9 authority from DTG Community Telephone in Docket  
 10 TC97-164. Within that application DTG Community  
 11 Telephone stated because DTG Community Telephone will  
 12 be assuming the obligations and benefits of the  
 13 eligible telecommunication carrier status, which was  
 14 granted to Dakota Telecommunications Group in  
 15 TC97-303, DTG Community Telephone will advertise its  
 16 services in a manner consistent with its obligations  
 17 as an eligible telecommunications carrier. DTG  
 18 Community Telephone informed the Commission that it  
 19 had changed its name to Dakota Community Telephone,  
 20 Inc., on November 13th of 2000.

21 **Q. As part of your analysis of this docket did you do a**  
 22 **public interest analysis?**

23 A. Yes. I believe the transfer of ownership will enable  
 24 PrairieWave Communications to continue bringing  
 25 modern telecommunication services to the rural areas

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1 of Dakota and to expand the same opportunities to the  
 2 exchanges operated by McLeodUSA Telecom. The terms,  
 3 conditions, and rates for local exchange service will  
 4 not change. Emergency 911 service will continue to  
 5 be provided and all taxes will be paid as required by  
 6 law.

7 **Q. What about switched access?**

8 A. The Petitioner's access tariffs will change in name  
 9 only. This comes from paragraph four of the  
 10 Petition. Dakota has filed a switched access cost  
 11 study that was filed on July 1 of 2002. It was  
 12 docketed at TC02-087. McLeodUSA Telecom was granted  
 13 a three-year exemption from having to file a specific  
 14 cost study on April 19 of 2002 in Docket TC02-017.

15 **Q. TC02-017, is that what you said?**

16 A. TC02-017.

17 **Q. Is this stock purchase similar to stock purchases**  
 18 **that the Commission has approved in the past?**

19 A. The most similar stock purchase was TC96-017. In  
 20 that proceeding the stock of Oellig Utilities  
 21 Company, the parent company was Sioux Valley  
 22 Telephone Company, was purchased by Alliance  
 23 Telecommunications Company. The Commission issued  
 24 separate orders of approval for each exchange as  
 25 required by SDCL 49-31-59.

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1 In my opinion this stock purchase is slightly  
 2 different from Commission approvals that have  
 3 occurred in the past in that local management will  
 4 not change. In the stock purchase of Kadoka  
 5 Telephone, Union Telephone, Bridgewater-Canistota  
 6 Independent Telephone Company and Armour Independent,  
 7 the new owners replaced the local management.

8 A second difference is that the ultimate parent  
 9 of Dakota and McLeodUSA Telecom, McLeodUSA,  
 10 Incorporated, was in Chapter 11. As a part of the  
 11 restructuring of McLeodUSA a determination was made  
 12 by McLeodUSA, Incorporated, that the McLeodUSA  
 13 Community Telephone and its subsidiary Dakota  
 14 Community Telephone and McLeodUSA Telecom Development  
 15 no longer fit into the core business of McLeodUSA,  
 16 Incorporated.

17 Mr. Heaston in a response to staff data request  
 18 stated what obviously flows from that business  
 19 decision is that these companies will not receive the  
 20 investment and attention beyond that necessary to  
 21 maintain the operation's current mode of operation.  
 22 And I believe it was Mr. Anderson that stated that,  
 23 and Mr. Norgaard made reference to it also.

24 **Q. What conclusions did you reach regarding the public**  
 25 **interest criteria for the sale?**

1 A. The Petitioners have agreed that local rates will  
 2 remain the same after the purchase. Taxes will  
 3 continue to be paid. Emergency services will  
 4 continue to be provided. Local management will be  
 5 the same if not better because of local ownership and  
 6 the new owners want the companies. That was quoting  
 7 from Mr. Heaston. Quoting from Mr. Heaston again,  
 8 they will continue to provide modern state-of-the-art  
 9 facilities and services throughout its service  
 10 territories as has been done for many years.

11 Q. Do you have a recommendation regarding the exchange  
 12 purchases?

13 A. Yes.

14 Q. And what is your recommendation?

15 A. I recommend that the Commission approve the purchase  
 16 of the exchanges of Dakota Community Telephone, Inc.,  
 17 and McLeodUSA Telecom Development by PrairieWave  
 18 Communications with the following conditions:

19 One, that the Petitioners file with the  
 20 Commission documentation supporting the purchase  
 21 price as assigned to each operating entity.

22 Two, the current local rates not be increased  
 23 for eighteen months from the date PrairieWave  
 24 Communications begins to operate the exchanges.

25 Three, that PrairieWave Communications shall not

1 recover any of the acquisition adjustment through its  
 2 regulated interstate or intrastate rates through its  
 3 local rates or through federal or state universal  
 4 funds.

5 Four, PrairieWave Communications shall honor all  
 6 existing contracts, commitments, leases, licenses and  
 7 other agreements which relate to, arise from, or are  
 8 used for the operation of the exchanges.

9 Five, that PrairieWave Communications offer at a  
 10 minimum all existing services currently offered by  
 11 Dakota or McLeodUSA Telecom.

12 And, six, that PrairieWave Communications not  
 13 discontinue any existing extended area service  
 14 arrangements in the exchanges without first obtaining  
 15 approval from this Commission.

16 MS. CREMER: That's all staff has.

17 MR. SMITH: Mr. McCaulley?

18 MR. McCAULLEY: No questions.

19 MR. SMITH: Any from the Commission? You're  
 20 excused.

21 MS. CREMER: That's all the witnesses staff  
 22 has.

23 MR. SMITH: Wait a minute. I have one  
 24 question.

25 EXAMINATION BY MR. SMITH:

1 Q. We've heard reference to some financial information  
 2 that the applicant has promised to provide. Would it  
 3 be your opinion that the Commission's decision ought  
 4 to await the receipt of that information?

5 A. Yes.

6 MR. SMITH: Thank you. Questions from anyone?  
 7 You're excused.

8 THE WITNESS: Just wanted to make sure.  
 9 (Witness excused.)

10 MR. SMITH: Does the staff have any other  
 11 witnesses?

12 MS. CREMER: No. That's all staff has for  
 13 witnesses, and we would have no closing.

14 MR. SMITH: At this point in time I'm going to  
 15 turn the hearing back over to the chairman and he  
 16 will take any comments, testimony, questions, or  
 17 concerns from members of the audience in general,  
 18 just members of the public.

19 CHAIRMAN BURG: Is there anybody in the audience  
 20 who would like to make a comment or statement or  
 21 testify? Your choice. Do we need to take a vote?

22 MR. JAMES H. JIBBEN: I don't really want to  
 23 testify. But I would just like to say that I was  
 24 formerly involved with Dakota as a director. And the  
 25 people that are involved in buying this, and their

1 staff, all the employees just have been an excellent  
 2 group of people. And I think that they will serve  
 3 the citizens of South Dakota very well if they are  
 4 allowed to make this purchase.

5 CHAIRMAN BURG: You think this would be a good  
 6 move for Viborg?

7 MR. JAMES H. JIBBEN: I think so because they  
 8 have plans to expand. And I think there will be more  
 9 employment for the city of Viborg and for the people  
 10 -- and I heard Brent mention that they have possibly  
 11 ten positions that they're looking for between here  
 12 and Sioux Falls. I think it will be good for all the  
 13 small communities of South Dakota. And I guess when  
 14 we started this whole thing as a group of directors  
 15 we wanted to enhance the rural South Dakota area.  
 16 And I think now we're going to go back to that if  
 17 they're allowed to do this and I think that's a real  
 18 plus for South Dakota.

19 CHAIRMAN BURG: Thank you.

20 MR. SMITH: Sir, could you identify yourself for  
 21 the reporter?

22 MR. JAMES H. JIBBEN: Jim Jibben from  
 23 Chancellor.

24 CHAIRMAN BURG: Anybody else? What do they  
 25 say, three times? Anybody else have a comment?

1 Going, going, gone. Well, thank you very much for  
2 everybody coming. This is good and informative for  
3 me. I am glad to see a new business in South Dakota  
4 and if everything meets our scrutiny it probably will  
5 happen. We were prepared to possibly vote tonight on  
6 those, but because of the information we've asked for  
7 we believe we ought to review that information  
8 first.

9 What we tentatively are talking about doing is  
10 we have a Commission meeting already scheduled for  
11 Thursday. We'll do an addendum tomorrow to include  
12 this on the item on the Thursday one. We know that  
13 you've got an August 30th deadline. We would like to  
14 help you make that if we can. So if we get the  
15 information tomorrow so that everybody has a chance  
16 to look at the information we've requested we will  
17 probably be able to put it on the agenda on  
18 Thursday. Any questions about that at all?

19 MR. HEASTON: The information requested is the  
20 ILEC sheets, the financials?

21 CHAIRMAN BURG: It seemed like there was  
22 something else. Did you not ask for something  
23 earlier.

24 MR. HEASTON: I think John was satisfied after  
25 his questioning under oath that he got from Craig.

1 MR. SMITH: I think I am if the Commission  
2 doesn't want to direct them to provide that. But I  
3 think, is it your feeling, Greg, that we can  
4 adequately address the cash flow issue with what  
5 we're going to get?

6 MR. RISLOV: Well, I'm not sure. We don't have  
7 yet the July 3rd data that was provided to Harlan  
8 that I know of.

9 MR. HEASTON: You'll get that to tomorrow  
10 morning.

11 MR. RISLOV: And the financial statements of the  
12 ILEC. There was some discussion of the bank  
13 commitments. I don't know where that was left.

14 MS. CREMER: That's what it was.

15 MR. HEASTON: I thought that John was satisfied  
16 with the statement under oath from Craig that we were  
17 sufficiently funded to carry this deal forward and he  
18 did not need to see the commitment letters. That is  
19 a very tricky situation because of the really  
20 sensitive confidential nature of those. And Craig  
21 cannot release those without having first gotten a  
22 protection from you. And normally that's not the way  
23 the rule works. So if we can avoid doing that I  
24 would appreciate that. But if we have to do that  
25 then we can work through that.

1 MR. SMITH: We'll let you know. I'm not an  
2 accountant so I'm going to defer to our accounting  
3 people.

4 MR. HEASTON: I'm not either.

5 CHAIRMAN BURG: If we need that we'll get it.  
6 We'll let you know tomorrow.

7 MR. HEASTON: There is an application pending in  
8 front of you for proprietary protection of that in  
9 advance. And then we could -- I've got them with me  
10 on yellow paper so that they're clearly identified,  
11 and I would have to ship those out overnight once we  
12 had that.

13 MR. SMITH: The other thing we need from  
14 Mr. McCaulley is something, we need printed copies of  
15 the exhibits that were admitted.

16 MR. HEASTON: I will take care of that and ship  
17 it out from our office tomorrow, too.

18 MR. SMITH: And for the review of the  
19 Commissioners.

20 MR. HEASTON: Do you have copies of that?

21 MR. McCAULLEY: I have that one copy with me. I  
22 can provide that.

23 MR. HEASTON: We can replicate that. Give that  
24 to them.

25 MR. SMITH: That would be useful. And then I

1 don't know how you want to handle it on Thursday.  
2 Should we, in terms of admission of the last thing,  
3 maybe what you want to do is just label everything  
4 else you provided, ILEC data, with just one exhibit  
5 number and we can formally admit it at that point in  
6 time.

7 MS. CREMER: What is that, K? Wouldn't it be  
8 Exhibit K?

9 MR. HEASTON: Yeah, it would be K would be the  
10 ILEC. Is that what we're talking about? Yes. Okay.

11 MS. CREMER: Why don't we just put that down  
12 now.

13 CHAIRMAN BURG: Does anybody have anything  
14 else? Anything?

15 MS. CREMER: I do not.

16 CHAIRMAN BURG: If not, that will close the  
17 hearing. Thank you, everybody.

18 (End of Proceeding.)  
19  
20  
21  
22  
23  
24  
25

101

1 STATE OF SOUTH DAKOTA )  
2 :SS CERTIFICATE  
3 COUNTY OF MINNEHAHA )  
4

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

8 DO HEREBY CERTIFY that I took the  
9 proceedings of the foregoing Public Utilities  
10 Commission Hearing, and the foregoing pages 1-100,  
11 inclusive, are a true and correct transcript of my  
12 stenotype notes.

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

17 In testimony whereof, I have hereto set my hand  
18 and official seal this 20th day of August, 2002.  
19  
20  
21

22 \_\_\_\_\_  
23 Pat L. Beck, Notary Public  
24 Expiration Date: June 11, 2005  
25 Iowa CSR Number: 1185

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1 INDEX TO WITNESS  
2

3 Examination  
4

5 CRAIG ANDERSON

- 6 Direct by Mr. McCaulley: P. 14
- 7 Cross by Ms. Cremer: P. 36, 69
- 8 Examination by Chairman Burg: P. 43, 52, 59, 61
- 9 Examination by Com. Nelson: P. 51, 54, 68
- 10 Examination by Com. Sahr: P. 56
- 11 Examination by Mr. Smith: P. 60, 62
- 12 Redirect by Mr. McCaulley: P. 72

13  
14 BRENT NORGAARD

- 15 Direct by Mr. McCaulley: P. 73
- 16 Cross by Ms. Cremer: P. 82
- 17 Examination by Chairman Burg: P. 85
- 18 Redirect by Mr. McCaulley: P. 86

19  
20 HARLAN BEST

- 21 Direct by Ms. Cremer: P. 87
- 22 Examination by Mr. Smith: P. 95

23  
24  
25

**AFFIDAVIT OF PUBLICATION**

STATE OF SOUTH DAKOTA }  
COUNTY OF LINCOLN } ss.

*Debbie Schmidt*

being first duly sworn, disposes and says: That (he)(she) is a resident of the County of Lincoln and State of South Dakota; that the LENNOX INDEPENDENT is a weekly legal newspaper of general circulation, printed and published in Lennox, in said County and State, and is now, and has been such newspaper continuously, during all the times hereinafter mentioned; that the affiant is affiliated with said newspaper as employer or employee and has personal knowledge of all the facts stated in this affidavit, and the notice and advertisement headed \_\_\_\_\_

*Notice of Hearing*

a printed copy of which is hereonto attached and made a part hereof, was printed and published in the said newspaper 1 successive issues. That the first publication of said notice in said newspaper aforesaid was on Thursday, the 1 day of Aug A.D., 20 02 and that the succeeding publication was severally

- on Thursday the \_\_\_ day of \_\_\_\_\_ A.D., 20 \_\_\_
- on Thursday the \_\_\_ day of \_\_\_\_\_ A.D., 20 \_\_\_
- on Thursday the \_\_\_ day of \_\_\_\_\_ A.D., 20 \_\_\_
- on Thursday the \_\_\_ day of \_\_\_\_\_ A.D., 20 \_\_\_
- on Thursday the \_\_\_ day of \_\_\_\_\_ A.D., 20 \_\_\_
- on Thursday the \_\_\_ day of \_\_\_\_\_ A.D., 20 \_\_\_

that the fees charged for the printing and publication of said notice and advertisement in said newspaper as aforesaid were 40 Dollars 37 Cents, and that said fees for the printing and publishing of said notice and advertisement, and for the affidavit as aforesaid, have been fully paid; that the full amount of the fee charged for the publishing of the said attached and annexed notice and advertisement inures to the benefit of the publishers of the said Lennox Independent, that no agreement or understanding for the division thereof has been made with any other person, and that no part thereof has been agreed to be paid to any person, whomsoever.

Subscribed and sworn to before me this 29 day of Aug, 20 02.

*Debbie Schmidt*  
*Notary Public*

Lincoln County, South Dakota

My Commission expires July 10, 20 03.

**RECEIVED**

OCT 03 2002

**SOUTH DAKOTA PUBLIC UTILITIES COMMISSION**

**NOTICE OF HEARING  
SOUTH DAKOTA**

**PUBLIC UTILITIES COMMISSION**

WHEN: AUGUST 12, 2002 at 6:30 P.M. (CDT)

WHERE: VIBORG COMMUNITY CENTER, 101 W. SORENSON, VIBORG

ISSUE: APPLICATION OF DAKOTA COMMUNITY TELEPHONE, INC. AND MCLEODUSA TELECOM DEVELOPMENT, INC. TO TRANSFER OWNERSHIP OF THEIR STOCK TO PRAIRIEWAVE COMMUNICATIONS, INC.

The South Dakota Public Utilities Commission (Commission) will hold a public hearing on August 12, 2002, at 6:30 P.M. (CDT), in the Viborg Community Center, 101 W. Sorenson, Viborg, South Dakota, to consider whether to approve the sale of the local telephone exchanges in South Dakota owned by the McLeodUSA incorporated family of companies (McLeod) to a newly-formed company known as PrairieWave Communications, Inc. (PrairieWave). According to documents filed by McLeod with the Commission, PrairieWave will be based in Sioux Falls.

On June 17, 2002, two McLeod subsidiaries, Dakota Community Telephone, Inc. (DCT) and McLeodUSA Telecom Development, Inc. (MTD) filed an application requesting the Commission to approve a transaction in which 100% the stock of DCT and MTD will be acquired by PrairieWave. The application states that after the sale, PrairieWave will change the name of DCT to PrairieWave Community Telephone, Inc. and the name of MTD to PrairieWave Telecommunications, Inc. DCT operates McLeod's incumbent local exchanges in South Dakota and MTD operates the competitive local exchanges. According to the application, there will be no change in the management or operation of the two companies as a result of the transaction, the terms, conditions and prices for local exchange service will remain in effect and the companies' long distance access tariffs will change in name only.

The following McLeod local exchanges will be transferred to PrairieWave as a result of this transaction:





5100 South McLeod Lane  
Sioux Falls, SD 57108

October 9, 2002

RECEIVED

OCT 10 2002

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

Debra Elofson  
Executive Director  
South Dakota Public Utilities Commission  
Capitol Building, First Floor  
500 East Capitol Avenue  
Pierre, SD 57501

RE: Docket #TC02-062 – Approval of Stock Purchase, Authority to do Business in South Dakota and Name Change from McLeodUSA Telecom Development, Inc. to PrairieWave Telecommunications, Inc. and Dakota Community Telephone, Inc. to PrairieWave Community Telephone, Inc.

Dear Ms. Elofson:

Enclosed for filing in the above-captioned matter are the original and ten (10) copies of the Affidavit of William Heaston confirming the close of the sale and attached documents confirming authority to do business in South Dakota and the name changing of McLeodUSA Telecom Development, Inc. to PrairieWave Telecommunications, Inc. and Dakota Community Telephone, Inc. to PrairieWave Community Telephone, Inc.

Sincerely,

A handwritten signature in cursive script that reads "Dawn Haase".

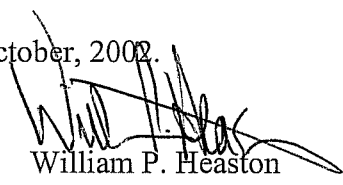
Dawn Haase  
Legal Assistant  
605-965-9368

Enclosures  
cc: Service List

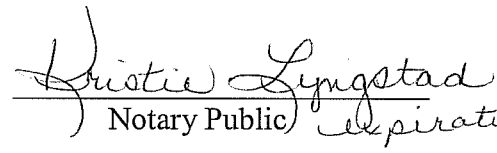
**AFFIDAVIT  
South Dakota**

I, William P. Heaston, Vice-President, Corporate Counsel, and Assistant Secretary for PrairieWave Communications, Inc. and its subsidiaries, PrairieWave Telecommunications, Inc. and PrairieWave Community Telephone, Inc., state that the stock purchase agreement for the purchase of McLeodUSA Telecom Development, Inc. and Dakota Community Telephone, Inc. was completed on September 30, 2002. Attached are documents confirming authority to do business in the State of South Dakota and the name change of McLeodUSA Telecom Development, Inc. to PrairieWave Telecommunications, Inc. and the name change of Dakota Community Telephone, Inc. to PrairieWave Community Telephone, Inc.

Sworn to and signed this 9th day of October, 2002.

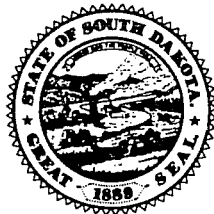
  
William P. Heaston

Sworn to and signed before me this 9th day of October, 2002,

  
\_\_\_\_\_  
Notary Public Expiration 6-7-07



# State of South Dakota



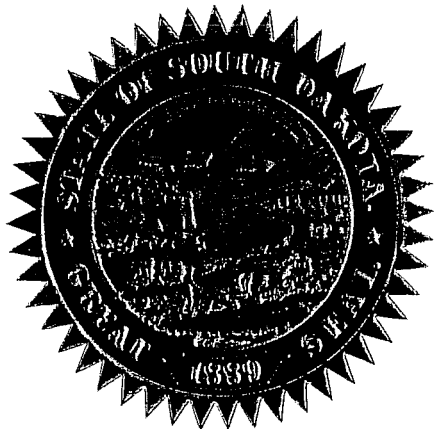
## OFFICE OF THE SECRETARY OF STATE

### Amended Certificate of Authority

ORGANIZATIONAL ID #: FB020319

I, **JOYCE HAZELTINE**, Secretary of State of the State of South Dakota, hereby certify that duplicate of the Application for an Amended Certificate of Authority of **MCLEODUSA COMMUNITY TELEPHONE, INC. changing its name to PRAIRIEWAVE COMMUNICATIONS, INC. (DE)** to transact business in this state duly signed and verified pursuant to the provisions of the South Dakota Corporation Acts, have been received in this office and are found to conform to law.

**ACCORDINGLY** and by virtue of the authority vested in me by law, I hereby issue this Amended Certificate of Authority and attach hereto a duplicate of the application to transact business in this state.



IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this October 2, 2002.

A handwritten signature in cursive script, reading "Joyce Hazeltine".

**Joyce Hazeltine**  
Secretary of State



Secretary of State  
 State Capitol  
 500 E. Capitol Ave.  
 Pierre SD 57501  
 Phone 605-773-4845  
 Fax 605-773-4550

RECEIVED

OCT 02 '02

S.D. SEC. of STATE

**Application for Amended Certificate of Authority**

Pursuant to the provisions of SDCL 47-8-22, the undersigned corporation hereby applies for an amended Certificate of Authority to transact business in the State of South Dakota and for that purpose submits the following statement:

(1) The name of the corporation is McLeodUSA Community Telephone, Inc.  
 (exact corporate name)

(2) The name of the corporation as amended is PrairieWave Communications, Inc.

(3) State where incorporated Delaware Federal Taxpayer ID# 01-1849100

(4) The date of its incorporation is July 22, 1997 and the period of its duration is perpetual

(5) The address of its principal office in the state or country under the laws of which it is incorporated is 1209 Orange Street, Wilmington, DE Zip Code 19801

mailing address if different from above is: \_\_\_\_\_ Zip Code \_\_\_\_\_

(6) The street address, or a statement that there is no street address, of its proposed registered office in the State of South Dakota is 5100 S. McLeod Lane, Sioux Falls, SD Zip Code 57108

and the name of its proposed registered agent in the State of South Dakota at that address is William P. Heaston

(7) The purposes which it proposes to pursue in the transaction of business in the State of South Dakota are:  
telecommunications

(8) The names and respective addresses of its directors and officers are:

Name	Officer Title	Street Address	City	State	Zip
see attached					

(9) The aggregate number of shares which it has authority to issue, itemized by classes, par value of shares, shares without par value, and series, if any, within a class is:

Number of shares	Class	Series	Par value per share or statement that shares are without par value
1,000	Common	N/A	no par

*Filed this 2<sup>nd</sup> day of Oct. 20 02*  
*Joseph Hazelton*  
 SECRETARY OF STATE

*76020319*  
*AZO*

(10) The aggregate number of its issued shares, itemized by classes, par value of shares, shares without par value, and series, if any, within a class, is:

Number of shares	Class	Series	Par value per share or statement that shares are without par value
1,000	Common	N/A	no par

(11) The amount of its stated capital is \$ 1,000

(12) This application is accompanied by a CERTIFICATE OF FACT or a CERTIFICATE OF GOOD STANDING duly acknowledged by the Secretary of State or other officer having custody of corporate records in the state or country under whose laws it is incorporated.

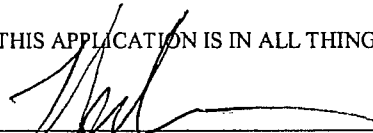
(13) That such corporation shall not directly or indirectly combine or make any contract with any incorporated company, foreign or domestic, through their stockholders or the trustees or assigns of such stockholders, or with any copartnership or association of persons, or in any manner whatever to fix the prices, limit the production or regulate the transportation of any product or commodity so as to prevent competition in such prices, production or transportation or to establish excessive prices therefor.

(14) That such corporation, as a consideration of its being permitted to begin or continue doing business within the State of South Dakota, will comply with all the laws of the said State with regard to foreign corporations.

The application must be signed, in the presence of a notary public, by the chairman of the board of directors, or by the president or by another officer.

I DECLARE AND AFFIRM UNDER THE PENALTY OF PERJURY THAT THIS APPLICATION IS IN ALL THINGS, TRUE AND CORRECT.

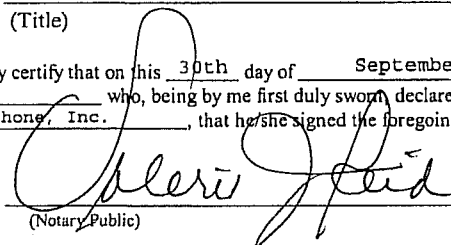
Dated September 30, 2002

  
 \_\_\_\_\_  
 (Signature)  
 Tracy T. Larsen, Corporate Secretary  
 \_\_\_\_\_  
 (Title)

STATE OF New York  
 COUNTY OF New York

I, VALERIE J. REID, a notary public, do hereby certify that on this 30th day of September, 2002, personally appeared before me Tracy T. Larsen who, being by me first duly sworn, declared that he/she is the Corporate Secretary of McLeodUSA Community Telephone, Inc., that he/she signed the foregoing document as officer of the corporation, and the statements therein contained are true.

**VALERIE J. REID**  
**Notary Public, State of New York**  
**No. 01RE4730090**

  
 \_\_\_\_\_  
 (Notary Public)

My Commission Qualified in Kings County  
**Certificate Filed in New York County**  
**Commission Expires June 30, 2005**

Notarial Seal

FILING FEE: \$20

FILING INSTRUCTIONS:

A foreign corporation authorized to do or engage in business in this state shall procure an amended certificate of authority in the event it changes its corporate name or desires to pursue in this state other or additional purposes than those set forth in its prior application.

One ORIGINAL and One COPY of the application must be submitted.

The application must be accompanied by an original one page CERTIFICATE OF FACT or NAME CHANGE showing both the former name and the change to the new name. The certificate must be obtained from the Secretary of State in the state under whose laws it is incorporated.

PrairieWave Communications, Inc.

Board of Directors

Craig A. Anderson  
Timothy F. Jaeger  
Tracy T. Larsen

2601 E. Slaten Park Cir., Sioux Falls, SD 57103  
1390 N. McDowell, Suite G-303, Petaluma, CA 94954  
111 Lyon Street, N.W., Suite 900, Grand Rapids, MI 49503

Officers

Craig A. Anderson	Chairman of the Board and Chief Executive Officer	2601 E. Slaten Park Cir. Sioux Falls, SD 57103
Timothy F. Jaeger	President and Chief Financial Officer	1390 N. McDowell, Suite G-303 Petaluma, CA 94954
Brent R. Norgaard	Vice President and Chief Operating Officer	5100 S. McLeod Lane Sioux Falls, SD 57108
Tracy T. Larsen	Corporate Secretary	111 Lyon Street, N.W., Suite 900 Grand Rapids, MI 49503
Eugene P. McCord	Vice President and Chief Information Officer	1390 N. McDowell, Suite G-303 Petaluma, CA 94954
William P. Heaston	Vice President, Corporate Counsel and Assistant Corporate Secretary	5100 S. McLeod Lane Sioux Falls, SD 57108

Return to:  
SECRETARY OF STATE  
STATE CAPITOL  
500 E CAPITOL AVE.  
PIERRE, S.D. 57501  
(605)773-4845  
Fax (605)773-4550

## LETTER OF CONSENT TO USE SIMILAR NAME

The undersigned corporate officers, general partner of a limited partnership, or holder of reserved or registered name, or a general manager/member of a limited liability company of

PrairieWave Holdings, Inc.

---

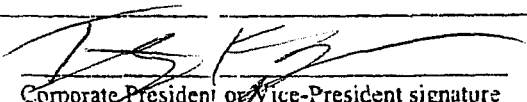
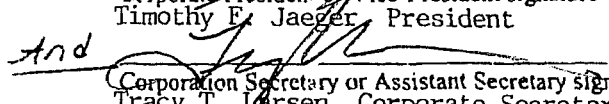
Hereby grant consent to the use of the name of

PrairieWave Communications, Inc.

---

Dated September 30, 2002

Corporation

  
\_\_\_\_\_  
Corporate President or Vice-President signature  
Timothy F. Jaeger, President  
And  
  
\_\_\_\_\_  
Corporation Secretary or Assistant Secretary signature  
Tracy T. Larsen, Corporate Secretary

---

Limited Partnership

\_\_\_\_\_  
General Partner signature

---

Limited Liability Company:

\_\_\_\_\_  
Manager/Member signature and title

---

(constituted)



# Delaware

PAGE 1

*The First State*

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THAT THE SAID "MCLEODUSA COMMUNITY TELEPHONE, INC.", FILED A CERTIFICATE OF AMENDMENT, CHANGING ITS NAME TO "PRAIRIEWAVE COMMUNICATIONS, INC.", THE THIRTIETH DAY OF SEPTEMBER, A.D. 2002, AT 9:05 O'CLOCK A.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CORPORATION IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE NOT HAVING BEEN CANCELLED OR DISSOLVED SO FAR AS THE RECORDS OF THIS OFFICE SHOW AND IS DULY AUTHORIZED TO TRANSACT BUSINESS.



*Harriet Smith Windsor*  
Harriet Smith Windsor, Secretary of State

2718208 8320

AUTHENTICATION: 2013195

020609774

DATE: 10-01-02

Receipt Number: \_\_\_\_\_

File Number **FB020319**



**AMENDED CERTIFICATE OF AUTHORITY**

For

**MCLEODUSA COMMUNITY TELEPHONE, INC. changing its name to  
PRAIRIEWAVE COMMUNICATIONS, INC. (DE)**

Filed at the request of:

**MARILYN PERSON  
819 W THIRD  
Pierre SD 57501**

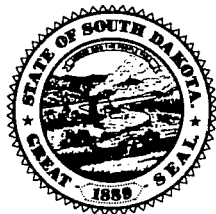
*State of South Dakota  
Office of the Secretary of State*

Filed in the office of the Secretary of State on: **October 02, 2002**

  
Secretary of State

Fee Received: \$20

# State of South Dakota



## OFFICE OF THE SECRETARY OF STATE

Department of State

United States of America, }

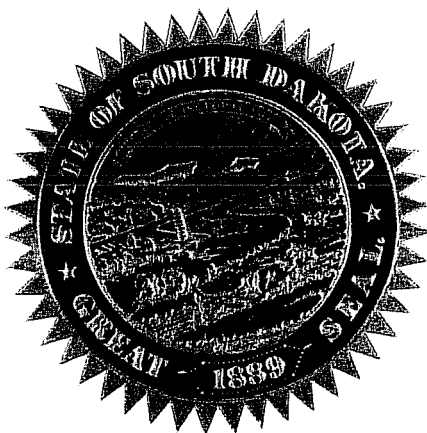
}

Secretary's Office

State of South Dakota }

This is to certify that the attached instrument of writing is a true, correct and examined copy of the Articles of Amendment for DAKOTA COMMUNITY TELEPHONE, INC. changing its name to PRAIRIEWAVE COMMUNITY TELEPHONE, INC. filed in this office on October 1, 2002

IN TESTIMONY WHEREOF, I have hereunto set my hand and caused to be affixed the Great Seal of the state of South Dakota at the city of Pierre, the capital, this October 1, 2002.

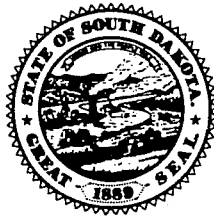


*Joyce Hazeltine*

Joyce Hazeltine  
Secretary of State

Fees, \$ 10.<sup>00</sup>

# State of South Dakota



## OFFICE OF THE SECRETARY OF STATE

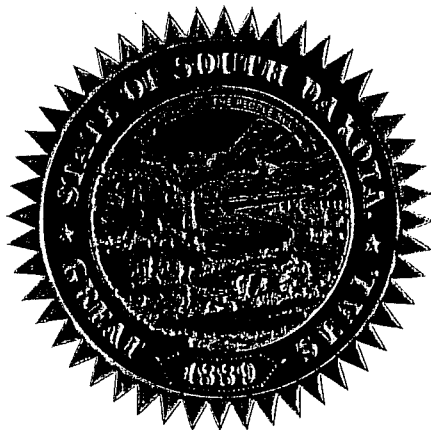
### Certificate of Amendment

ORGANIZATIONAL ID #: DB039014

I, **JOYCE HAZELTINE**, Secretary of State of the State of South Dakota, hereby certify that duplicate of the Articles of Amendment to the Articles of Incorporation of **DAKOTA COMMUNITY TELEPHONE, INC. changing its name to PRAIRIEWAVE COMMUNITY TELEPHONE, INC.** duly signed and verified pursuant to the provisions of the South Dakota Corporation Acts, have been received in this office and are found to conform to law.

**ACCORDINGLY** and by virtue of the authority vested in me by law, I hereby issue this Certificate of Amendment to the Articles of Incorporation and attach hereto a duplicate of the Articles of Amendment.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this October 1, 2002.



**Joyce Hazeltine**  
Secretary of State

RECEIVED

SEP 01 2002

SECRETARY OF STATE  
STATE CAPITOL  
500 E. CAPITOL AVE.  
PIERRE, S.D. 57501  
(605)773-4845  
Fax (605)773-4550

**ARTICLES OF AMENDMENT  
TO THE  
ARTICLES OF INCORPORATION**

S.D. SEC. of STATE

Pursuant to the provisions of SDCL 47-2-9, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation.

1. The name of the corporation is Dakota Community Telephone, Inc.

2. The following amendment of the Articles of Incorporation was adopted by the shareholders of the corporation on September 30, 2002, in the manner prescribed by the South Dakota Corporation Acts:

**OR**

No shares have been issued and the following amendment was adopted by the Board of Directors on \_\_\_\_\_, 20\_\_\_\_.

1. The name of the corporation is: PrairieWave Community Telephone, Inc.

*Filed this 1st day of October 2002*  
*Joseph J. Berglund*  
SECRETARY OF STATE

3. The number of shares of the corporation outstanding at the time of such amendment was 1,000; and the number of shares entitled to vote thereon was 1,000.

4. The designation and number of outstanding shares of each class entitled to vote thereon as a class were as follows:

Class: Common Number of shares: 1,000

5. The number of shares voted for such amendment was 1,000

The number of shares voted against such amendment was 0

The number of shares of each class entitled to vote thereon as a class voted for and against such amendment was:

Class: Common Number of shares: For: 1,000 Against: 0

*20039014*

6. The manner, if not set forth in such amendment, in which any exchange, reclassification or cancellation of issued shares provided for in the amendment shall be effected, is as follows:

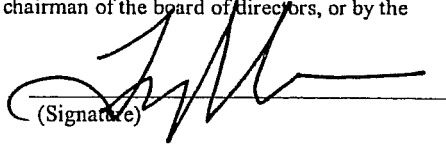
N/A

7. The manner in which such amendment effects a change in the amount of stated capital, and a statement expressed in dollars, of the amount of stated capital as changed by such amendment.

N/A

To be signed in the presence of a notary public by either the chairman of the board of directors, or by the president or any other officer.

Dated September 30 2002.

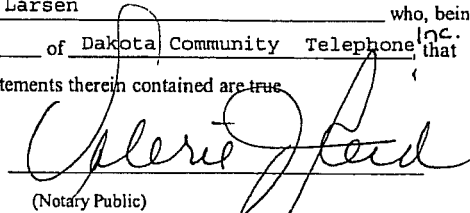
  
(Signature)

Tracy T. Larsen, Secretary  
(Title)

STATE OF New York  
COUNTY OF New York

I, VALERIE J REID, a notary public, do hereby certify that on this 30th day of September, 2002, personally appeared before me Tracy T. Larsen who, being by me first duly sworn, declared that he/she is the Secretary of Dakota Community Telephone Inc. that he/she signed the foregoing document as officer of the corporation, and the statements therein contained are true

**VALERIE J. REID**  
**Notary Public, State of New York**  
My Commission No. 01RE4730090  
**Qualified in Kings County**  
**Certificate Filed in New York County**  
**Commission Expires June 30, 2002**

  
(Notary Public)

Notarial Seal

FILING FEE: \$20

1. Please list EXACT corporate name in number one.
  2. Complete signatures and titles of the officers signing for the corporation.
  3. Complete notary verification.
- An ORIGINAL and ONE EXACT COPY of the Articles of Amendment must be submitted.

Return to:  
SECRETARY OF STATE  
STATE CAPITOL  
500 E CAPITOL AVE.  
PIERRE, S.D. 57501  
(605)773-4845  
Fax (605)773-4550

## LETTER OF CONSENT TO USE SIMILAR NAME

The undersigned corporate officers, general partner of a limited partnership, or holder of reserved or registered name, or a general manager/member of a limited liability company of

PrairieWave Communications, Inc.

---

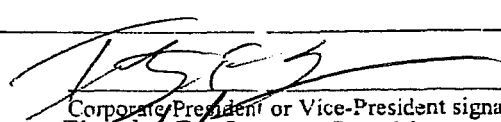
Hereby grant consent to the use of the name of

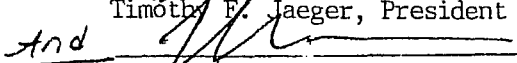
PrairieWave Community Telephone, Inc.

---

Dated September 30, 2002

Corporation

  
Corporate President or Vice-President signature  
Timothy F. Jaeger, President

and   
Corporation Secretary or Assistant Secretary signature  
Tracy T. Larsen, Corporate Secretary

---

Limited Partnership

General Partner signature

---

Limited Liability Company:

Manager/Member signature and title

---

(constname)

Receipt Number: \_\_\_\_\_

File Number **DB039014**



**ARTICLES OF AMENDMENT**

For

**DAKOTA COMMUNITY TELEPHONE, INC. changing its name to PRAIRIEWAVE  
COMMUNITY TELEPHONE, INC.**

Filed at the request of:

**MARILYN PERSON  
819 W THIRD  
Pierre SD 57501**

*State of South Dakota  
Office of the Secretary of State*

Filed in the office of the Secretary of State on: **October 01, 2002**

  
Secretary of State

Fee Received: \$20





Receipt Number: 1139422

File Number DB022730



**ARTICLES OF AMENDMENT**

For

**MCLEODUSA TELECOM DEVELOPMENT, INC. changing its name to  
PRAIRIEWAVE TELECOMMUNICATIONS, INC.**

Filed at the request of:

MARILYN PERSON  
819 W THIRD  
Pierre SD 57501

*State of South Dakota  
Office of the Secretary of State*

Filed in the office of the Secretary of State on: **October 01, 2002**

  
Secretary of State

Fee Received: \$20

# State of South Dakota



## OFFICE OF THE SECRETARY OF STATE

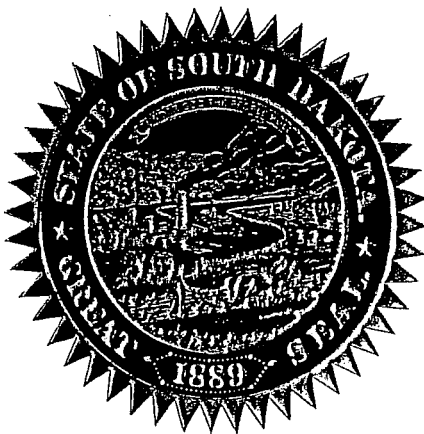
### Certificate of Amendment

ORGANIZATIONAL ID #: DB022730

I, **JOYCE HAZELTINE**, Secretary of State of the State of South Dakota, hereby certify that duplicate of the Articles of Amendment to the Articles of Incorporation of **MCLEODUSA TELECOM DEVELOPMENT, INC.** changing its name to **PRAIRIEWAVE TELECOMMUNICATIONS, INC.** duly signed and verified pursuant to the provisions of the South Dakota Corporation Acts, have been received in this office and are found to conform to law.

**ACCORDINGLY** and by virtue of the authority vested in me by law, I hereby issue this Certificate of Amendment to the Articles of Incorporation and attach hereto a duplicate of the Articles of Amendment.

**IN TESTIMONY WHEREOF**, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this October 1, 2002.



A handwritten signature in cursive script that reads "Joyce Hazeltine".

**Joyce Hazeltine**  
Secretary of State

SECRETARY OF STATE  
STATE CAPITOL  
500 E. CAPITOL AVE.  
PIERRE, S.D. 57501  
(605)773-4845  
Fax (605)773-4550

ARTICLES OF AMENDMENT  
TO THE  
ARTICLES OF INCORPORATION

RECEIVED  
OCT 01 12  
S.D. SEC. OF STATE

Pursuant to the provisions of SDCL 47-2-9, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation.

1. The name of the corporation is McLeodUSA Telecom Development, Inc.

2. The following amendment of the Articles of Incorporation was adopted by the shareholders of the corporation on September 30, 20 02, in the manner prescribed by the South Dakota Corporation Acts:

OR

No shares have been issued and the following amendment was adopted by the Board of Directors on \_\_\_\_\_, 20 \_\_\_\_\_.

1. The name of the corporation is: PrairieWave Telecommunications, Inc.

*Filed this 1st day of Oct. 2002*  
*Joyce Magelaine*  
SECRETARY OF STATE

3. The number of shares of the corporation outstanding at the time of such amendment was 9,303; and the number of shares entitled to vote thereon was 9,303.

4. The designation and number of outstanding shares of each class entitled to vote thereon as a class were as follows:

Class: Class A Common Number of shares: 9,303

5. The number of shares voted for such amendment was 9,303

The number of shares voted against such amendment was 0

The number of shares of each class entitled to vote thereon as a class voted for and against such amendment was:

Class: Class A Common Number of shares:  
For: 9,303 Against: 0

*12022730*

6. The manner, if not set forth in such amendment, in which any exchange, reclassification or cancellation of issued shares provided for in the amendment shall be effected, is as follows:

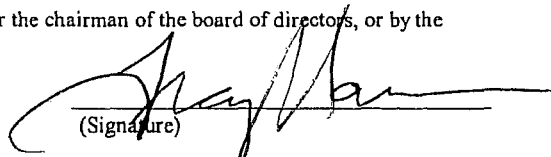
N/A

7. The manner in which such amendment effects a change in the amount of stated capital, and a statement expressed in dollars, of the amount of stated capital as changed by such amendment.

N/A

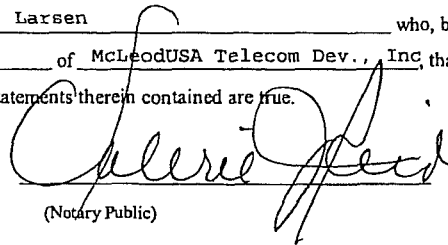
To be signed in the presence of a notary public by either the chairman of the board of directors, or by the president or any other officer.

Dated September 30, 2002.

  
(Signature)  
Tracy T. Larsen, Secretary  
(Title)

STATE OF New York  
COUNTY OF New York  
I, Valerie Reid, a notary public, do hereby certify that on this 30th day of September, 2002, personally appeared before me Tracy T. Larsen who, being by me first duly sworn, declared that he/she is the Secretary of McLeodUSA Telecom Dev., Inc that he/she signed the foregoing document as officer of the corporation, and the statements therein contained are true.

**VALERIE J. REID**  
**Notary Public, State of New York**  
**No. 01RE4790099**  
My Commission **Qualified in Kings County**  
**Certificate Filed in New York County**  
**Commission Expires June 30, 2006**

  
(Notary Public)

Notarial Seal

FILING FEE: \$20

1. Please list EXACT corporate name in number one.
2. Complete signatures and titles of the officers signing for the corporation.
3. Complete notary verification.

An ORIGINAL and ONE EXACT COPY of the Articles of Amendment must be submitted.

Return to:  
SECRETARY OF STATE  
STATE CAPITOL  
500 E CAPITOL AVE.  
PIERRE, S.D. 57501  
(605)773-4845  
Fax (605)773-4550

## LETTER OF CONSENT TO USE SIMILAR NAME

The undersigned corporate officers, general partner of a limited partnership, or holder of reserved or registered name, or a general manager/member of a limited liability company of

PrairieWave Communications, Inc.

---

Hereby grant consent to the use of the name of

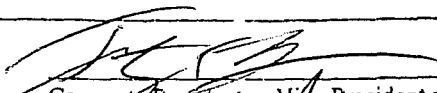
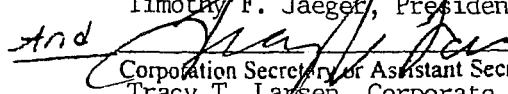
PrairieWave Telecommunications, Inc.

---

Dated September 30, 2002

---

Corporation

  
Corporate President or Vice-President signature  
Timothy F. Jaeger, President  
and   
Corporation Secretary or Assistant Secretary signature  
Tracy T. Larsen, Corporate Secretary

---

Limited Partnership

General Partner signature

---

Limited Liability Company:

Manager/Member signature and title

---

(const name)

## Certificate of Service

I, Dawn Haase, on the 9<sup>th</sup> day of October, served the attached **LETTER** by **US MAIL** to all the persons listed below:

### Independents

<p>Qwest Corporation Colleen Sevold 125 South Dakota Avenue Sioux Falls, SD 57194 605-335-4596; 605-339-5390 fax <a href="http://www.qwest.com">www.qwest.com</a></p>	<p>Armour Independent Telephone Company  Richard Freemark, Local Manager P. O. Box 460 Hartford, SD 57033-0460 605-528-3211; 605-528-2266 fax <a href="http://www.unitelsd.com">www.unitelsd.com</a></p>
<p>Bridgewater-Canistota Independent Telephone  Richard Freemark, Local Manager P O Box 460 Hartford, SD 57033-0460 605-528-3211; 605-528-2266 fax <a href="http://www.unitelsd.com">www.unitelsd.com</a></p>	<p>Cheyenne River Sioux Tribe Telephone Authority  J.D. Williams, General Manager P. O. Box 810 Eagle Butte, SD 57625 605-964-2600; 605-964-1000 fax <a href="http://www.crstta.com">www.crstta.com</a></p>
<p>Dakota Community Telephone, Inc.  Brent Norgaard 5100 McLeod Lane Sioux Falls, SD 57108 605-965-9355; 605-965-7867 fax <a href="http://www.dtg.com">www.dtg.com</a></p>	<p>East Plains Telecom, Inc.  Don Snyders, General Manager P. O. Box 307 Baltic, SD 57003 605-529-5454; 605-529-5498 fax <a href="http://www.eastplains.net">www.eastplains.net</a></p>
<p>Fort Randall Telephone Company  Bruce Hanson, General Manager 909 Willmar Avenue SW Willmar, MN 56201 320-847-2211; 320-847-2736 fax <a href="http://www.hcinet.net">www.hcinet.net</a></p>	<p>Kadoka Telephone Company  Pat Morse, President/General Manager P. O. Box 220 Kadoka, SD 57543 605-837-2211; 605-837-2811 fax <a href="http://www.kadokatelco.com">www.kadokatelco.com</a></p>
<p>Kennebec Telephone Company  Rod Bowar, General Manager P. O. Box 158 Kennebec, SD 57544 605-869-2220; 605-869-2221 fax <a href="http://www.kennebectelephone.com">www.kennebectelephone.com</a></p>	<p>Long Lines Ltd.  Tom Connors, Manager P. O. Box 128 Jefferson, SD 57038-0128 605-966-5631; 605-966-5340 fax</p>
<p>Mt. Rushmore Telephone Company  Bruce Hanson, General Manager P. O. Box 800 Clara City, MN 56222 320-847-2211; 320-847-2736 fax <a href="http://www.hcinet.net">www.hcinet.net</a></p>	<p>RC Communications, Inc.  Pamela Harrington, General Manager P. O. Box 196 New Effington, SD 57255 605-637-5211; 605-637-5302 fax <a href="http://www.rctel.net">www.rctel.net</a></p>

<p>Sioux Valley Telephone Company</p> <p>Dennis Law, General Manager P. O. Box 98 Dell Rapids, SD 57022 605-428-5421; 605-428-3132 fax <a href="http://www.siouxvalley.net">www.siouxvalley.net</a></p>	<p>Splitrock Properties, Inc.</p> <p>Don Snyders, General Manager P. O. Box 349 Garretson, SD 57030 605-594-3411; 605-594-6776 fax <a href="http://www.splitrocktel.net">www.splitrocktel.net</a></p>
<p>Stockholm-Strandburg Telephone Co.</p> <p>Marjorie Nowick P. O. Box 20 Stockholm, SD 57264 605-676-2311; 605-676-2317 fax</p>	<p>Tri-County Telcom, Inc.</p> <p>John Pudwill, Jr., General Manager P. O. Box 304 Emery, SD 57332 605-449-4203; 605-449-4329 fax</p>
<p>Union Telephone Company</p> <p>Richard Freemark, Local Manager P O Box 460 Hartford, SD 57033-0460 605-528-3211; 605-528-2266 fax <a href="http://www.unitelsd.com">www.unitelsd.com</a></p>	<p>Vivian Tel. Co. d/b/a Golden West Comm.</p> <p>George Strandell, Interim Manager P. O. Box 411 Wall, SD 57790 605-279-2161; 605-279-2727 fax <a href="http://www.gwtc.net">www.gwtc.net</a></p>
<p>Western Telephone Company</p> <p>Harold A. Brown, General Manager P. O. Box 128 Faulkton, SD 57438 605-598-6217; 605-598-4100 fax <a href="http://www.westtelco.com">www.westtelco.com</a></p>	

### Municipals

<p>Beresford Municipal Telephone Co.</p> <p>Wayne Akland, General Manager 101 North 3rd Street Beresford, SD 57004 605-763-2500; 605-763-7112 fax <a href="http://www.bmtc.net">www.bmtc.net</a></p>	<p>City of Brookings Utilities, Telephone Division d/b/a Swiftel Communications</p> <p>Craig Osvog, General Manager P. O. Box 588 Brookings, SD 57006 605-692-6325; 605-697-8470 fax <a href="http://www.swiftel.net">www.swiftel.net</a></p>
<p>City of Faith Telephone Company</p> <p>Shane Ayres, Finance Officer P. O. Box 368 Faith, SD 57626 605-967-2261; 605-967-2266 fax</p>	

### Cooperatives

<p>Baltic Telecom Cooperative</p> <p>Don Snyders, General Manager P. O. Box 307 Baltic, SD 57003 605-529-5454; 605-529-5498 fax</p>	<p>Interstate Telecommunications Coop</p> <p>Dean Anderson, General Manager P. O. Box 920 Clear Lake, SD 57226 605-874-2181; 605-874-2014 fax</p>
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<a href="http://www.eastplains.net">www.eastplains.net</a>	<a href="http://www.itc-web.com">www.itc-web.com</a>
Golden West Telecommunications Coop  George Strandell, Interim Manager P. O. Box 411 Wall, SD 57790 605-279-2161; 605-279-2727 fax <a href="http://www.gwtc.net">www.gwtc.net</a>	James Valley Cooperative Telephone Co.  Doug Eidahl, General Manager P. O. Box 260 Groton, SD 57445-0260 605-397-2323; 605-397-2350 fax <a href="http://www.jamesvalley.com">www.jamesvalley.com</a>
McCook Cooperative Telephone Co.  Brian Roth, General Manager P. O. Box 630 Salem, SD 57058 605-425-2238; 605-425-2712 fax <a href="http://www.triotel.net">www.triotel.net</a>	Midstate Communications, Inc.  Mark Benton, General Manager P. O. Box 48 Kimball, SD 57355 605-778-6221; 605-778-8080 fax <a href="http://www.midstatesd.net">www.midstatesd.net</a>
Roberts Co. Telephone Coop. Assn.  Pamela Harrington, General Manager P. O. Box 196 New Effington, SD 57255 605-637-5211; 605-637-5302 fax <a href="http://www.rctel.net">www.rctel.net</a>	Santel Communications Cooperative  Gene Kroell, General Manager P. O. Box 67 Woonsocket, SD 57385 605-796-4411; 605-796-4419 fax <a href="http://www.santel.net">www.santel.net</a>
Splitrock Telecom Cooperative  Don Snyders, General Manager P. O. Box 349 Garretson, SD 57030 605-594-3411; 605-594-6776 fax <a href="http://www.splitrocktel.net">www.splitrocktel.net</a>	Sully Buttes Telephone Cooperative  Randy Houdek, General Manager P. O. Box 157 Highmore, SD 57345 605-852-2224; 605-852-2404 fax <a href="http://www.sullybuttes.net">www.sullybuttes.net</a>
Valley Telecommunications Coop.  Dianna Quaschnick, General Manager P. O. Box 7 Herried, SD 57632 605-437-2615; 605-437-2220 fax <a href="http://www.valleytel.net">www.valleytel.net</a>	West River Cooperative Telephone Co.  Jerry Reisenauer, General Manager P. O. Box 39 Bison, SD 57620-0039 605-244-5213; 605-244-7288 fax

#### Foreign Exchange Companies

Citizens Telecommunications Company of Minnesota, Inc. John Lass, Vice President and General Manager 2378 Wilshire Blvd Mound City MN 55354 952-491-5541; 952-491-5560 fax	Consolidated Telcom  L. Dan Wilhelmson P. O. Box 1077 Dickinson, ND 58601 701-483-4000; 701-483-4001 fax
Dickey Rural Communications, Inc.  Darren Moser P. O. Box 69 Ellendale, ND 58436 701-349-3687; 701-344-4300 fax	Dickey Rural Tel. Coop.  Darren Moser P. O. Box 69 Ellendale, ND 58436 701-349-3687; 701-344-4300 fax

<p>Farmers Mutual Tel. Co.</p> <p>Robert J. Hoffman  P. O. Box 368  Bellingham, MN 56212  612-568-2105; 612-568-2200 fax</p>	<p>Great Plains Communications</p> <p>Dixie Lambert  1635 Front Street  Blair, NE 68008  402-426-9511; 402-726-6478 fax</p>
<p>Heartland Telecommunications Company of Iowa d/b/a Hickory Tech Corporation</p> <p>David Christensen  221 East Hickory Street  Mankato, MN 56002  507-386-3564; 507-387-3297 fax</p>	<p>NebCom, Inc.</p> <p>Emory Graffis  110 East Elk Street  Jackson, NE 68743  402-632-4321; 402-632-4770 fax</p>
<p>RT Communications, Inc.</p> <p>Mr. Dee Monson  P. O. Box 506  Worland, WY 82401  307-347-8251; 307-347-6366 fax  <a href="http://www.rtcom.net">www.rtcom.net</a></p>	<p>Red River Telecom, Inc.</p> <p>Ardon M. Doran  P. O. Box 136  Abercrombie, ND 58001  701-553-8305; 701-553-8396 fax</p>
<p>Three River Telco</p> <p>William P. Rosicky  P. O. Box 66  Lynch, NE 68757  402-569-2666; 402-569-4455 fax</p>	<p>Qwest: IA, NE, MN</p> <p>Colleen Sevoid  125 South Dakota Avenue  Sioux Falls, SD 57194  605-335-4596; 605-339-5390 fax</p>
<p>Valley Tel. Co.</p> <p>Mary Jo Biegler, Controller  P O Box 277, 100 Main Street  Underwood, MN 56586  218-826-6161; 218-826-6298</p>	<p>West River Telecommunications Coop.</p> <p>Albert (Mick) Grosz, General Manager  P. O. Box 467  Hazen, ND 58545  701-748-2211; 701-748-6800 fax  <a href="http://www.westriv.com">www.westriv.com</a></p>



Dawn Haase



**RECEIVED**

DEC 20 2002

**SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION**

By Certified Mail

December 18, 2002

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

**RE: Surety Bond from PrairieWave Communications  
TC 97-164**

Dear Ms. Elofson:

On October 1, 2002, the South Dakota Public Utilities Commission was notified that the surety bond currently held by Dakota Community Telephone, Inc. was cancelled due to the recent sale of the division to PrairieWave Communications, Inc. Enclosed please find the \$25,000 surety bond that replaces the cancelled bond, listing the SDPUC as Obligee.

If you have any questions please contact me at 605-965-9361.

Sincerely,

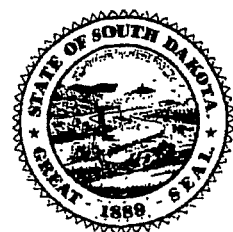
A handwritten signature in cursive script that reads "Kristie Lyngstad".

Kristie Lyngstad  
Ex. Administrative Assistant

Enclosure



# South Dakota Public Utilities Commission



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

December 10, 1997

**RECEIVED**

DEC 20 2002

Robert Marmet  
Attorney, DTG  
PO Box 66  
Irene, SD 57037

**SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION**

RE: SD PUC docket TC 97-164

Dear Mr Marmet:

I am writing in reference to your letter of November 24, 1997. Staff is satisfied that you have clarified the relationship between the company and its subsidiaries. However, it is still Staff's recommendation that the company post a \$25,000 bond. As a newly established company, with no financial information of it's own, that has been the Commission's precedent. The Commission has based this decision on factors relating to parent companies not being responsible for their subsidiaries debts. Since other companies which have formed subsidiaries to run their local exchange services have been required to either refrain from accepting deposits and advance payments and offering prepaid calling cards, or post a \$25,000 bond, we must be consistent and require DCT to do the same.

If you have any questions, please contact me at the Commission.

Sincerely,

Tammi Stangohr  
Utility Analyst

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

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

Consumer Hotline  
1-800-332-1782

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

Internet  
billb@puc.state.sd.us

Jim Burg  
Chairman  
Pam Nelson  
Vice-Chairman  
Laska Schoenfelder  
Commissioner

William Bullard Jr.  
Executive Director

Edward R. Anderson  
Harlan Best  
Martin C. Bettmann  
Charlie Bolle  
Sue Cichos  
Karen E. Cremer  
Marlette Fischbach  
Shirleen Fugitt  
Lewis Hammond  
Katie Hartford  
Leni Healy  
Camron Hoseck  
Dave Jacobson  
Bob Knadle  
Delaine Kolbo  
Jeffrey P. Lorensen  
Terry Norum  
Gregory A. Rislov  
Tammi Stangohr  
Steven M. Wegman  
Rolayne Ailts Wiest

APPROVED  
*PJM*  
Law Group  
Date 12-12-02

INDEMNITY BOND

Bond No. KO 6488240

Effective Date: December 5, 2002

KNOW ALL PERSONS BY THESE PRESENTS:

That we PrairieWave Communications, Inc., as Principal, and Westchester Fire Insurance Company, a corporation authorized to do surety business in the State of South Dakota, as Surety, are held and firmly bound unto the South Dakota customers of the Principal in the sum of not to exceed Twenty-Five Thousand and NO/100 Dollars (\$25,000.00), for the payment of which well and truly to be made, we bind ourselves and our legal representatives, firmly by these presents.

THE CONDITION of the above obligation is such that WHEREAS the Principal has applied to the South Dakota Public Utilities Commission (the "Commission") for a Certificate of Authority to resell long-distance telecommunications services within the State of South Dakota and, as a condition of receiving such Certificate of Authority, has been required by the Commission to give this bond.

NOW, THEREFORE, if the Principal shall in all respects fully and faithfully comply with all applicable provisions of South Dakota state law and reimburse customers of the Principal for any prepayment or deposits such customers have made which the Principal may be unable or unwilling to return to such customers as a result of insolvency or other business failure, then this obligation to be void; otherwise to remain in full force and effect.

PROVIDED, this bond is continuous and may be cancelled by the Surety by giving thirty (30) days notice in writing to the Commission, and the Surety shall be relieved of any further liability under this bond thirty (30) days after such notice is sent by First Class U.S. Mail. Regardless of the number of years this bond shall continue in force, the number of claims made against this bond, and the number of premiums which shall be payable or paid, the Surety's total limit of liability shall not be cumulative from year to year or period to period, and in no event shall the Surety's total liability for all claims exceed the amount set forth above. Any revision of the bond amount shall not be cumulative.

PrairieWave Communications, Inc.

By: *Bent Norgaard*

Westchester Fire Insurance Company

By: *Suzanne Y. Sittler*  
Suzanne Y. Sittler, Attorney-In-Fact

Countersigned By: *Mitzi Freize*  
Mitzi Freize, SD Resident Agent

*Original bond is in Aeldine's bottom desk drawer.*



249598

Know all men by these presents: That WESTCHESTER FIRE INSURANCE COMPANY, a corporation of the State of New York, having its principal office in the City of Atlanta, Georgia, pursuant to the following Resolution, adopted by the Board of Directors of the said Company on November 8, 1999, to wit:

- "RESOLVED, that the following Rules shall govern the execution for the Company of bonds, undertakings, recognizances, contracts and other writings in the nature thereof:
- (1) That the President, any Senior Vice President, any Vice President, and Assistant Vice President, or my Attorney-in-Fact, may execute for and on behalf of the Company any and all bonds, undertakings, recognizances, contracts and other writings in the nature thereof, the same to be attested when necessary by the Corporate Secretary, or any Assistant Corporate Secretary, and the seal of the Company affixed thereto; and that the President, any Senior Vice President, any Vice President or any Assistant Vice President may appoint and authorize any other Officer (elected or appointed) of the Company, and Attorneys-In-Fact to so execute or attest to the execution of all such writings on behalf of the Company and to affix the seal of the Company thereto.
- (2) Any such writing executed in accordance with these Rules shall be as binding upon the Company in any case as though signed by the President and attested to by the Corporate Secretary.
- (3) The signature of the President, or a Senior Vice President, or a Vice President, or an Assistant Vice President and the seal of the Company may be affixed by facsimile on any power of attorney granted pursuant to this Resolution; and the signature of a certifying Officer and the seal of the Company may be affixed by facsimile to any certificate of any such power, and any such power or certificate bearing such facsimile signature and seal shall be valid and binding on the Company.
- (4) Such other Officers of the Company, and Attorneys-In-Fact shall have authority to certify or verify copies of this Resolution, the By-Laws of the Company, and any affidavit or record of the Company necessary to the discharge of their duties.
- (5) The passage of this Resolution does not revoke any earlier authority granted by Resolutions of the Board of Directors.

Does hereby nominate, constitute and appoint GREG KELLER, SUZANNE Y. SITLER, SHIRLEY F. DUKES and BRENDA BURDETTE all of the City of Newnan, State of Georgia, each individually if there be more than one named, its true and lawful attorney-in-fact, to make, execute, seal and deliver on its behalf, and as its act and deed any and all bonds, undertakings, recognizances, contracts and other writings in the nature thereof in penalties not exceeding One Million Dollars (\$1,000,000) and the execution of such writings in pursuance of these presents shall be as binding upon said Company, as fully and amply as if they had been duly executed and acknowledged by the regularly elected officers of the Company at its principal office.

IN WITNESS WHEREOF, the said Gregory J. Otterson, Vice-President, has hereunto subscribed his name and affixed the corporate seal of the said WESTCHESTER FIRE INSURANCE COMPANY this 11th day of July 2002.



WESTCHESTER FIRE INSURANCE COMPANY

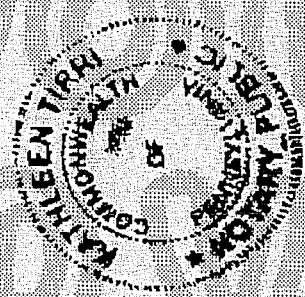
*Gregory J. Otterson*

Gregory J. Otterson, Vice President

COMMONWEALTH OF PENNSYLVANIA  
COUNTY OF PHILADELPHIA ss.

On this 11th day of July, A.D. 2002, before me, a Notary Public of the Commonwealth of Pennsylvania in and for the County of Philadelphia came Gregory J. Otterson, Vice-President of the WESTCHESTER FIRE INSURANCE COMPANY to me personally known to be the individual and officer who executed the preceding instrument, and he acknowledged that he executed the same, and that the seal affixed to the preceding instrument is the corporate seal of said Company, that the said corporate seal and his signature were duly affixed by the authority and direction of the said corporation, and that Resolution, adopted by the Board of Directors of said Company, referred to in the preceding instrument, is now in force.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Philadelphia the day and year first above written.



NOTARIAL SEAL  
Kathleen Tirri, Notary Public  
Philadelphia City, Philadelphia County  
My commission expires Sep. 22, 2003

*Kathleen Tirri*

Notary Public

I, the undersigned Secretary of WESTCHESTER FIRE INSURANCE COMPANY, do hereby certify that the original POWER OF ATTORNEY, of which the foregoing is a substantially true and correct copy, is in full force and effect.

In witness whereof, I have hereunto subscribed my name as Secretary and affixed the corporate seal of the Corporation, this \_\_\_\_\_ day of \_\_\_\_\_



*George D. Mulligan*

George D. Mulligan, Secretary

THIS POWER OF ATTORNEY MAY NOT BE USED TO EXECUTE ANY BOND WITH AN INCEPTION DATE AFTER July 11, 2004.