

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
LEGAL
WORKING FILE**

FROM: TERRI CARLOCK

DATE: JANUARY 4, 2013

**RE: BLACKFOOT TELECOMMUNICATIONS GROUP (FREMONT
TELCOM CO) DEBT AUTHORITY REQUEST; CASE NO. FRE-T-12-01.**

On November 28, 2012, Blackfoot Telecommunications Group (Blackfoot) notified the Commission in writing that it had entered into a Stock Purchase Agreement with FairPoint Communications (FairPoint) whereby Blackfoot will purchase from FairPoint all of the outstanding shares of stock for Fremont Telcom Co. and Fretel Communications, LLC. Blackfoot entered into a Commitment Letter and Term Sheet with CoBank ACB (CoBank) whereby CoBank will, at closing of the purchase, provide funds to Blackfoot to finance acquisition of the shares of stock.

On December 13, 2012, Blackfoot filed an Application requesting authority to issue instruments of security to execute a senior secured promissory note. The proposed loan proceeds will be used by Blackfoot to finance the purchase of stock for Fremont Telcom Co., (Fremont). The assets of Fremont along with all Blackfoot assets will be included in the security interest for the purpose of securing the loan. Although the assets of Fremont will be pledged as collateral for approximately seven years, the repayment responsibility will remain with Blackfoot not the customers of Fremont.

The required fees have been paid.

Staff has reviewed the confidential Stock Purchase Agreement including the CoBank Commitment Letter. A Memorandum of Understanding (MOU) between Staff and the Company is being negotiated to address the regulatory items associated with the stock purchase and

ongoing operation of Fremont. The MOU will be filed with the Commission. Ratemaking issues, if any arise, will be addressed in a future proceeding.

Staff recommends approval of the loan request with the ratemaking treatment to be addressed in the MOU or determined in a later proceeding.

Staff also recommends adopting the following reporting requirements:

- 1) Provide copies of the final loan approval and documentation.
- 2) Provide a copy of any executed collateral documentation.
- 3) Provide copies of **all** annual certification, covenant reports, and letters regarding the loan.

COMMISSION DECISION

Should the Application be approved with Staff's recommended reporting requirements?



Terri Carlock

i:\udmemos\FRE T 12 01 Loan stock purchase dm