DECISION MEMORANDUM

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

FROM: TERRI CARLOCK

DATE: MARCH 14, 2013

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

Commission Order No. 32710 issued on January 8, 2013 in this case granted Blackfoot Telecommunications Group (Blackfoot) the authority to issue debt instruments with CoBank. Loan proceeds would finance the purchase of all the outstanding shares of stock for Fremont Telcom Co. (Fremont) and Fretel Communications, LLC from FairPoint Communications.

Prior to the loan closing, CoBank changed loan provisions and language of the loan making Fremont a co-borrower on the loan instead of a guarantor. The assets of Fremont remain pledged as collateral.

On January 31, 2013, Blackfoot closed on the financing transaction for the Loan with CoBank as well as the acquisition of the capital stock of Fremont from FairPoint. CoBank included as an affirmative covenant in the Loan documents that Blackfoot receive confirmation from the Commission that:

(i) the structure of the financing provided in the Loan Documents with respect to Fremont is in full compliance with and approved by Commission Order No. 32710; and

(ii) all the terms and conditions of the Loan Documents are in compliance with and approved by Order No. 32710. *See* §11(G)(2), First Supplement to the Master Loan Agreement (First Supplement) p. 9.

On February 19, 2013, Blackfoot made a compliance filing including the supplemental and signed loan documents. The Company requests a supplemental order to meet CoBank requirements to confirm that the Supplemental Loan Documents are in full compliance with and approved by Order No. 32710. Staff has reviewed these confidential loan documents and proposes the loan document language is consistent with the intent and approved by Order No. 32710. Staff recommends approval of the supplemental loan request and recommends the Commission issue a supplemental order acknowledging that the loan documents and the above language are consistent with the security approval granted in Order No. 32710.

The Staff and Company have entered a Memorandum of Understanding (MOU) addressing regulatory items associated with the stock purchase and ongoing operation of Fremont to protect Fremont customers. The MOU is attached. Ratemaking issues, if any arise, will be addressed in a future proceeding.

COMMISSION DECISION

Should a Supplemental Order be issued to confirm the supplemental language is consistent with the intent and the loan documents comply with Order No. 32710?

Terri Carlock

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MEMORANDUM OF UNDERSTANDING

On November 28, 2012, Fremont Telcom Co. (Fremont) and Blackfoot Telecommunications Group (Blackfoot) filed a Joint Notification with the Idaho Public Utilities Commission (IPUC) notifying the IPUC that Blackfoot agreed to acquire from FairPoint Communications (FairPoint), effective upon closing of the transaction, all of the outstanding shares of capital stock of Fremont. Fremont would thereafter become a wholly-owned subsidiary of BTC Holdings, Inc., whose ultimate parent company is Blackfoot Telephone Cooperative, Inc. The contemplated transaction closed on January 31, 2013. The corporate organizational structure after closing of the stock acquisition as it pertains to Fremont is set forth in the organizational chart attached hereto as Exhibit A.

Blackfoot and the Staff of the IPUC enter into this Memorandum of Understanding to more clearly delineate conditions to protect Fremont's Customers. Blackfoot and the Staff of the IPUC each agree that this Memorandum of Understanding is entered into for the protection of Fremont's Customers, and that none of the provisions hereof are intended to conflict with Order No. 32170 or any other order of the IPUC with respect to the approval by the IPUC of the terms of the Master Loan Agreement and the First Supplement to Master Loan Agreement, each dated as of January 31, 2013, and each among CoBank, ACB ("CoBank"), Blackfoot, Fremont and certain other subsidiaries of Blackfoot, each as co-borrowers thereunder (the "Loan Agreement"), or the Pledge and Security Agreement, dated as of January 31, 2013, among Blackfoot, Fremont and certain other subsidiaries of Blackfoot as pledgors thereunder. Blackfoot and the Staff of the IPUC agree that nothing in this MOU shall be interpreted in such a way nor require Blackfoot or Fremont to perform any act or omission that would place Blackfoot or Fremont in breach, violation or default of the Loan Agreement or the Pledge and Secuirty Agreement. By execution of this MOU, Blackfoot and Fremont agree to perform all of the commitments as set forth herein.

1. The following describes the manner in which Blackfoot has established Fremont as a subsidiary:

a. Blackfoot used a combination of debt and equity to acquire Fremont from FairPoint. Blackfoot and its subsidiaries, including Fremont, have entered into the Loan Agreement wherein Fremont is a co-borrower. Blackfoot has allocated to Fremont a portion of the total CoBank debt in accordance with the valuation of the Fremont assets. *See* Exhibit B (confidential).
b. In Order No. 32710, the IPUC authorized Blackfoot to pledge the assets of Fremont as collateral for the CoBank debt.
c. On January 31, 2013, the common stock of Fremont was transferred to Blackfoot.
d. As a result of the transaction and as of January 31, 2013, Fremont has a current debt-to-equity ratio of approximately 55% debt to 45% equity.
e. From an Idaho local ratemaking perspective, Fremont's debt will be paid and maintained separate from the financial obligations of Blackfoot and its affiliates.
f. Except as already authorized by the IPUC, Fremont will not make loans to Blackfoot or its respective subsidiaries, or assume any obligation or liability as guarantor, endorser, surety or otherwise for Blackfoot or its respective subsidiaries without the specific approval of the Idaho Public Utilities Commission. Blackfoot and Fremont will not pledge any of the assets of Fremont as backing for any securities which Blackfoot or its respective subsidiaries, but excluding Fremont, may issue without the specific approval of the Idaho Public Utilities Commission.

2. Blackfoot will file a notification with the IPUC Staff within thirty days of the permanent debt financing, as described in paragraph 1, is complete. Attached as Exhibit B (confidential) and Exhibit C are the accounting details for the permanent financing.

3. Fremont will maintain its own accounting documentation and its financial books and records, and state and federal utility regulatory filings and documents will be available to the IPUC Staff upon request.

4. Financial statements and other financial books and records of Fremont shall be maintained separate from the books and records of Blackfoot. The assets of Fremont will be accounted for separately from the assets of Blackfoot and its other subsidiaries, divisions, and affiliates. This will not prevent the maintenance of books and records of Fremont, Blackfoot, or their affiliates on or through a common computer accounting platform or on a consolidated basis. This will also not prevent the consolidated treatment or reporting of financial statements, financial results, and other financial books and records of Fremont, Blackfoot, or their subsidiaries and affiliates for financial reporting, tax, or other purposes.

5. Blackfoot and Fremont consistent with Idaho Code, Title 61, Chapter 4, will provide the Commission access to all books of account, as well as all documents, data, and records of their affiliated interests, which pertain to transactions between Fremont and its affiliated interests or which are otherwise reasonably calculated to lead to discoverable information regarding Fremont.

6. Blackfoot and Fremont will provide the Commission access to those portions of corporate minutes including Board of Directors' minutes, all committee and subcommittee minutes, along with any related reports and source documents that may lead to relevant information regarding Fremont's business.

7. Fremont will not own or hold shares of any parent entity, Blackfoot or any other parent entity that may be formed.

8. Fremont or Blackfoot will notify the Commission subsequent to Blackfoot' board approval and as soon as practicable following any public announcement of: (1) any acquisition of a regulated or unregulated business representing 10 percent or more of the capitalization of Blackfoot; or (2) the change in effective control or acquisition of any material part or all of Fremont by any other firm, whether by merger, combination, transfer of stock or assets.

9. Fremont will provide the IPUC and Staff with notification of all publicly announced proposals for divestiture, spin-off, or sale of Fremont utility assets.

10. Fremont and Blackfoot commit that Fremont shall maintain a Total Adjusted Consolidated Capital ratio of at least 35% equity (using a purchased accounting approach). Fremont's Total Adjusted Consolidated Capital is defined as the common equity, preferred equity and long-term debt of Fremont. Fremont shall provide the Commission notice in the event that its equity ratio drops beneath 35% equity.

11. Fremont will provide notice to the Commission, when the dividend payment increases by 10% or more than one-fourth of the dividends paid over the previous 12 months.

12. Cost allocations between Fremont and Blackfoot, including its utility divisions and subsidiaries will be based on generally accepted accounting standards; that is: (a) Costs incurred specifically for a party will be directly assigned to that party; (b) Costs that are impractical to assign directly but for which a cost/benefit relationship can be reasonably identified between the service provided and the recipient, will be assigned based on a practical allocation method that allocates the costs equitably and consistently to the recipient party based on cost driving factors; and (c) Costs that are incurred for the general benefit of the entire utilities group for which direct assignment are not practical, will be allocated to the parties using an allocation methodology that is established and used consistently from year to year. *See* Exhibit C.

13. Fremont will provide the Staff with notification of all affiliate transactions, excluding administrative cross charges between Fremont and Blackfoot and its subsidiaries, if the transaction involves a cost of more than $500,000.

14. Blackfoot will use its best efforts to maintain continuity in the operations of Fremont while looking for opportunities to improve customer service and to increase efficiencies through the sharing of "best practices" and the consolidation of certain corporate and administrative functions. Fremont will maintain adequate staffing consistent with the provision of safe and reliable service and cost-effective operations.

15. The premium paid by Blackfoot for Fremont (Goodwill or Acquisition Premium) will be excluded from the utility accounts of Fremont for ratemaking purposes. Further, Fremont will not request rate recovery of the transaction costs associated with the acquisition nor will it seek recovery of the purchase premium from rate payers.

16. Nothing in this Memorandum of Understanding shall be interpreted as a waiver of Fremont's or Blackfoot's right to request confidential treatment for information that is subject to this memorandum.

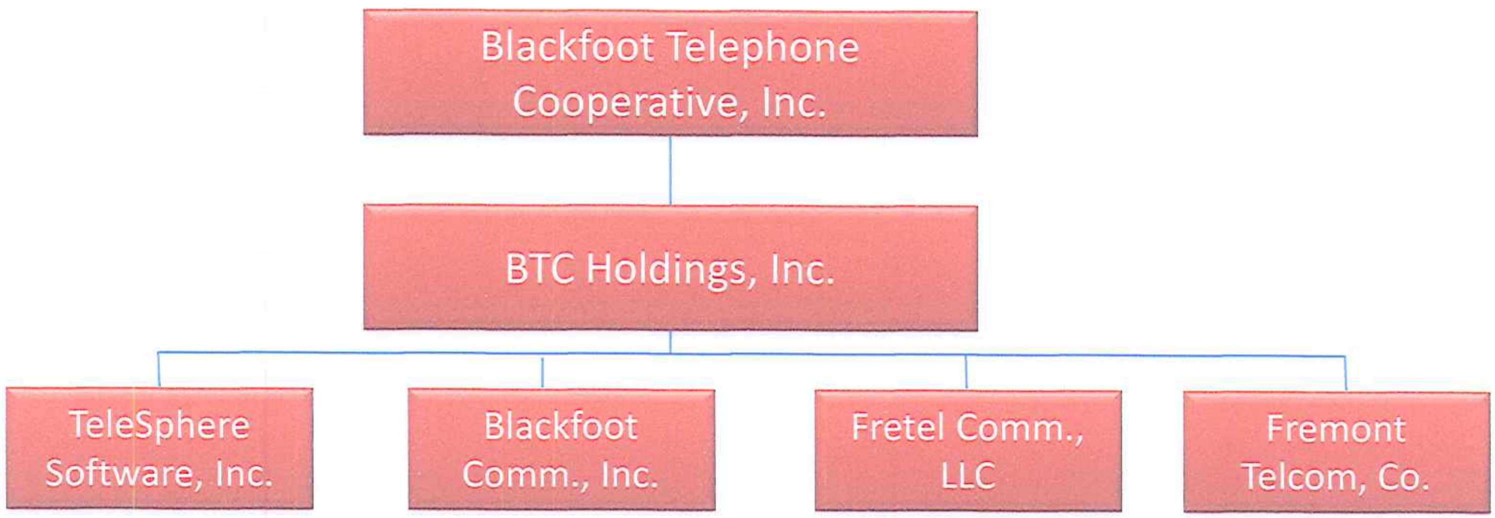
17. Blackfoot and Freemont will periodically review and abide by all Commission Rules and Regulations and in particular at the time of closing, Rule 107 relating to Records of Deposits Telephone Customer Relations Rules (IDAPA 31.41.01).

18. Nothing in this Memorandum shall be construed so as to subject Blackfoot or its affiliates other than Fremont to regulation as a public utility within the meaning of Title 61, Idaho Code.

Dated this 11th day of March, 2013.

Idaho Public Utilities Commission Staff	Blackfoot Telecommunications Group
By: Terri Carlock	By: Theo Otis
Terri Carlock	Theodore P. Otis
Deputy Administrator, Utilities Division	Vice President, Chief Financial Officer

Blackfoot Telecommunications Group Organizational Chart



Fremont Telcom Co. has been designated as the Manager of Fretel Communications, LLC

Exhibit C

Regulated cost allocations.

As a rate-of-return regulated ILEC, Freemont is subject to FCC Parts 64, Part 36, and Part 69 accounting.

In compliance with FCC Parts 64 and 36 regulations, Blackfoot maintains a Cost Allocation Manual (CAM) dictating the allocation of cost among regulated and non-regulated operations, as well as among companies.

Blackfoot has three Study Areas (two for Blackfoot Telephone Cooperative, Inc.'s service territory and one for Fremont), all of which participate in the NECA Traffic Sensitive Pool. As such, FCC Part 36 (and Part 69) studies are prepared for each Study Area. Presently, Part 36 studies are prepared using consulting resources (Moss Adams). The studies are prepared in compliance with FCC Part 36 (and Part 69) regulations and subject to rigorous auditing review by multiple parties (including NECA, annually, and USAC and GAO, periodically).

Annually Blackfoot is subject to independent accounting auditing. For calendar year 2012, Moss Adams has completed field auditing and will be producing audit reporting, including financial statements in March 2013, in compliance with the Government Auditing Standards. Moss Adams has been "engaged" for calendar year 2013 auditing.