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February 20, 2009

Idaho Public Utilities Commission
Office of the Secretary
RECEIVED

FEB 20 2009

Boise, Idaho

VIA ELECTRONIC MAIL and US MAIL (jean.jewell@puc.idaho.gov)

Jean Jewell, Secretary
Idaho Public Utilities Commission
472 W. Washington
P.O. Box 83720
Boise, Idaho 83720-0074

Re: Letter of Information regarding Midvale Telephone ESOP Conversion
Our File: 1614-87

Dear Ms. Jewell:

I am writing to provide information to the Idaho Public Utilities Commission (the "Commission") regarding Midvale Telephone Exchange, Incorporated ("Midvale"), an entity regulated by the Commission, with regard to its adoption of an Employee Stock Ownership Plan ("ESOP"). Midvale is currently owned by two shareholders: Lane Williams and Shirley Archer. Ms. Archer recently passed away and the shares are being held by her estate. To ensure the ongoing operations of Midvale, Mr. Williams has pursued the option of creating an ESOP so Midvale can be owned by those who have devoted and continue to devote their time to operating the business, and to ensure that Midvale will continue in its current form rather than ultimately being sold to a third party.

We are not aware of any statutes, rules or regulations governing the Commission's relationship with Midvale that require approval of the proposed change of ownership of the stock of Midvale, but we wanted to inform the Commission of such change and to verify that no approvals are needed. Midvale's proposed plan to convert to an ESOP does not create any changes (other than ownership) with regard to Midvale's operations. Midvale remains the owner of all of its operating assets, it retains all of its current debt obligations and it does not take on any new debt obligations which require the approval of the Commission. I have

attached an ESOP ownership structuring chart to illustrate how this transaction will be structured, but in a nutshell, this is what Midvale is proposing:

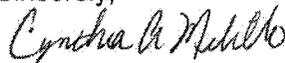
First, Midvale would adopt an ESOP and create the ESOP trust. Essentially, the ESOP trust is a benefit/retirement fund for Midvale's employees. Midvale would make a contribution every year to this retirement fund. The amount that can be contributed is governed by federal regulations both with respect to Midvale's existing loans with the Rural Utilities Service ("RUS") and also under the laws governing ESOPs. This contribution is no different than any other company contribution to an employee benefit plan and is treated the same way for all practical purposes. The contribution in the first year would likely be in the form of Midvale stock. Second, we would create a holding company that would be a parent company of Midvale, organized to own all of the issued and outstanding shares of Midvale stock. This parent company would exchange parent company shares for all of the shares of Midvale held by Lane Williams, the estate of Shirley Archer and the ESOP so that the parent company would own all of the issued and outstanding shares of Midvale stock. Lane Williams and the estate of Shirley Archer would then own shares of parent company stock. The ESOP would then purchase all of the shares of the parent company held by Lane Williams and the estate of Shirley Archer, using the annual contribution made by Midvale to the ESOP. At the completion of the transaction, Midvale would be wholly owned by the new parent company and the new parent company would be wholly owned by the ESOP trust, in trust for all eligible employees.

Under this proposed structure, Midvale will take on no new debt, nor will it transfer any of its operating assets. Midvale would continue to be the operating company, owning and using its assets to provide the services it currently provides. The only "obligation" Midvale has is to make annual contributions to the ESOP, the amount of which is governed under ESOP rules as well as RUS rules.

At this time, we request that the Commission provide Midvale with some acknowledgement that the Commission will not require any official approval of this transaction and that Midvale may proceed as discussed above. If that will not be the case, Midvale will appreciate receiving instructions regarding any information or documentation the Commission will need, or any procedures the Commission will require to provide its approval.

I look forward to hearing from you soon. If you have any questions or need any additional information with regard to this matter, please feel free to contact me.

Sincerely,



Cynthia A. Melillo

CAM

cc: Lane Williams (via Electronic Mail)
Terri Carlock (via Electronic Mail – (terri.carlock@puc.idaho.gov)

Enclosure

ESOP TRANSACTION STRUCTURE

