

## Attachment 1

### **Response to Item 10**

Transferor Hector Communications Corporation (“Hector”) and Transferee Blue Earth Valley Communications, Inc. (“Blue Earth Valley”) request Special Temporary Authority (“STA”) to permit continued international toll resale operations by Indianhead Communications Corporation (“Indianhead”) and Cannon Communications Corporation (“Cannon”), which are former subsidiaries of Hector that hold International Section 214 Authorizations for Global Resale and which were distributed to Blue Earth Valley on December 31, 2012 pursuant to a reorganization under Section 355 of the Internal Revenue Code.

Specifically, Blue Earth Valley, Arvig Enterprises, Inc. (“Arvig”); and New Ulm Telecom, Inc. (“New Ulm”), which were each formerly 33.33 percent stockholders of Hector, decided to dissolve Hector and to distribute Hector’s eleven operating subsidiaries (including Indianhead and Cannon) to the Hector stockholder that was the closest from a geographic standpoint and most capable of assuming full operational control with little or no disruption. As a result of the Hector reorganization: (a) six affiliates -- Granada Telephone Company, Hager Telecom, Inc., Indianhead Telephone Company, Pine Island Telephone Company, Cannon and Indianhead – were distributed to BCS Holdings, LLC (“BCS”), a wholly-owned subsidiary of Blue Earth Valley; (b) Alliance Telecommunications Corporation, an intermediate subsidiary that owns four of the affiliates – Arrowhead Communications Corp., Eagle Valley Telephone Company, Felton Telephone Company and Loretel Systems, Inc. – was distributed to Arvig; and (c) Sleepy Eye Telephone Company was distributed to New Ulm.

As 33.33 percent stockholders of Hector, Blue Earth Valley, Arvig and New Ulm were involved in various aspects of the operations of the eleven affiliates prior to the reorganization. Subsequently, the Blue Earth Valley, Arvig and New Ulm organizations are each involved in the management and supervision of all of the operations of the specific former Hector affiliates that were distributed to them in the reorganization. For Blue Earth Valley, these affiliates include Indianhead and Cannon.

During the course of the reorganization, Hector’s corporate and tax attorneys and accountants focused upon the internal Hector reorganization from a tax standpoint, and it was assumed by these advisors, as well as by Hector, Blue Earth Valley, Arvig and New Ulm, that the reorganization was a *pro forma* transaction among the existing and FCC-approved owners of Hector and did not require prior FCC approval. It was not until more than a month after the December 31, 2012 completion of the reorganization that one of Hector’s stockholders mentioned the transaction in another context to FCC counsel, and was told that it may have required FCC consent or notice.

Applications for transfer of control of the International Section 214 Authorizations for Global Resale held by Indianhead (IB2013000523) and Cannon (IB2013000524) have been filed with the International Bureau, as well as appropriate applications with the Wireline Competition Bureau and the Wireless Telecommunications Bureau.

Whereas Hector is being dissolved and will no longer be holding or acquiring FCC authorizations, Blue Earth Valley (as well as Arvig and New Ulm) are now fully aware that they need to carefully check the FCC authorization and filing requirements with respect to any and all future transactions. In their defense, the Section 355 reorganization of Hector was a major undertaking at the end of 2012. Blue Earth Valley, Arvig and New Ulm did inquire of the corporate and tax attorneys handling the transaction whether FCC authorization was required, and were told that the transaction was *pro forma* and did not require FCC applications or approvals. Unfortunately, the attorneys handling the transaction were very busy with its corporate and tax details and were not very experienced with FCC requirements. In the future, Blue Earth Valley, Arvig and New Ulm will check the FCC filing requirements for their proposed transactions with experienced FCC counsel and/or consultants.

Indianhead and Cannon are currently reselling international toll services to local exchange customers of other former Hector affiliates. The Hector reorganization was undertaken, in major part, to distribute the various Hector subsidiaries (including Indianhead and Cannon) to the Hector stockholder that was the closest from a geographic standpoint and most capable of assuming full operational control with little or no disruption. The requested STA is needed to permit these operations to continue without disruption while the International Section 214 applications are being processed.

Blue Earth Valley acknowledges that grant of the requested STA will not prejudice any action the Commission may take on the International Section 214 applications and that, once granted, the STA may be revoked on the Commission's own notice, without hearing. Blue Earth Valley further acknowledges that grant of an STA and of the applications will neither preclude nor dictate the scope of any enforcement action related to the underlying transaction.

Given the inadvertent and unintentional nature of the failure of the applicants to seek prior Commission approval of the Section 355 reorganization, the need to maintain reliable service to affected customers, and the implementation by the applicants of procedures to review future transactions with experienced FCC counsel and/or consultants, it is respectfully submitted that good cause exists for grant of the present STA request as expeditiously as possible.

#### **Response to Section 63.18(d) of the Commission's Rules**

Indianhead holds an International Section 214 authorization for global resale of switched services (File No. ITC-214-19970919-00565, granted November 14, 1997).

Cannon holds an International Section 214 authorization for global resale of switched services (File No. ITC-214-19970326-00173, granted May 9, 1997).

**Response to Section 63.18(e)(3) of the Commission's Rules**

This rule section does not apply as Indianhead and Cannon have and desire only Global Resale Authority.

**Response to Section 63.18(g) of the Commission's Rules**

This rule section does not apply because neither Indianhead nor Cannon have or seek facilities-based authority.