

# **TRAFFIC EXCHANGE AGREEMENT**

By and Between

Hat Island Telephone Company

And

Verizon Wireless

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## TRAFFIC EXCHANGE AGREEMENT

This Traffic Exchange Agreement (“Agreement”), is entered into by and between Hat Island Telephone Company, a Washington corporation (“Company”) and the entities listed on the signature page of this Agreement, each having an office and principal place of business at 180 Washington Valley Road, Bedminster, NJ 079321 (collectively “Carrier”), (each referred to as a “Party” and collectively as “Parties”) with an effective date of January 1, 2004.

WHEREAS, Carrier is authorized by the Federal Communications Commission (“FCC”) to provide commercial mobile radio service (“CMRS”) and provides such service to its End Users, operating wireless affiliates and switch share/managed markets; and

WHEREAS, Company is a provider of local exchange service; and

WHEREAS, Carrier terminates telecommunications traffic that originates from Company’s End Users on the Company’s network, and Company terminates telecommunications traffic that originates from Carrier’s End Users on the Carrier’s network; and

WHEREAS, Carrier provides a Point of Interconnection in the Company’s service areas, or interconnects with Company’s network via a third party tandem switch; and

WHEREAS, the Parties wish to establish an arrangement that compensates each other for terminating telecommunications traffic that originates on the other Party’s network.

NOW, THEREFORE, IN CONSIDERATION of the covenants contained herein, the Parties hereby agree as follows:

### 1. DEFINITIONS.

1.1 “Act” means the Communications Act of 1934, as amended.

1.2 An “Affiliate” of a Party means a person, corporation or other legal entity that, directly or indirectly, owns or controls a Party, or is owned or controlled by, or is under common ownership or control with a Party. For purposes of this definition, the term “own” means to have at least a ten percent (10%) ownership interest in, or have voting control, such corporation or other legal entity. For Carrier, each individual entity listed on the signature page of this Agreement is an Affiliate.

1.3 “Central Office” means a switching facility from which Telecommunications Services are provided, including, but not limited to:

- a. An “End Office Switch” or “End Office” is used to, among other things, terminate telecommunications traffic to End Users.

- b. A “Tandem Switch” or “Tandem Office” is a switching facility that is used to interconnect trunk circuits between and among End Office Switches, aggregation points, points of termination, or points of presence. A switch may be both an End Office Switch and a Tandem Switch.
  - c. A “Mobile Switch Center” or “MSC” is a switching facility that provides tandem and End Office switching capability.
- 1.4 “CMRS” means Commercial Mobile Radio Service as defined in the Act.
- 1.5 “Confidential Information” shall have the meaning ascribed in Section 27.
- 1.6 “Commission” refers to the state regulatory commission within the state of Washington.
- 1.7 “End User” means, with respect to Carrier, any subscriber to wireless service furnished by Carrier or by another entity reselling Carrier’s wireless service, and further means any roamer using Carrier’s wireless network. With respect to Company, “End User” means any subscriber to wireline local exchange service furnished to the End User by Company or by another entity reselling Company’s wireline local exchange service, and further means any casual user of Company’s wireline local exchange service. Carrier and Company are each deemed to be subscribers to their own wireless service or wireline local exchange service, respectively, for purposes of this definition.
- 1.8 “Interconnection Facilities” are those Company facilities between the Company’s Central Office switch and the POI.
- 1.9 “Interexchange Carrier” or “IXC” is a telecommunications company authorized by the FCC and the Commission to provide, directly or indirectly, intraLATA or interLATA telecommunications toll services. IXC does not include CMRS providers as herein defined for purposes of this Agreement.
- 1.10 “Local Exchange Carrier” is as defined in the Act at 47 U.S.C. § 153(26).
- 1.11 “Local Exchange Routing Guide” or “LERG” means the Telcordia reference customarily used to identify NPA-NXX routing and homing information.
- 1.12 “Local Traffic” for purposes of compensation under this Agreement is that telecommunications traffic which originates and terminates within the same Major Trading Area (“MTA”), as defined in 47 C.F.R. § 24.202(a). For purposes of determining whether traffic originates and terminates within the same MTA, and therefore whether the traffic is local, the location of the wireline End User and the location of the cell site that serves the wireless End User at the beginning of the call shall be used. This Agreement does not cover traffic carried by an IXC as herein

defined. Nothing in this Agreement shall affect the rates either Party assesses its End Users.

- 1.13 "Major Trading Area" or "MTA" means the service areas based on the Rand McNally 1992 Commercial Atlas & Marketing Guide, 123rd edition, at pages 38-39. 47 C.F.R. § 24.202(a).
- 1.14 "POI" or "Point of Interconnection" means the point of interconnection on the Company's network where the Parties have agreed to the exchange of Local Traffic between Company's network and Carrier's network.
- 1.15 "PSTN" means the Public Switched Telephone Network.
- 1.16 "Reciprocal Compensation" means a compensation arrangement between two carriers in which each of the two carriers receives compensation from the other carrier for the transport and Termination on the recipient carrier's network facilities for Local Traffic. 47 C.F.R. § 51.701(E).
- 1.17 "Tandem Switching" is when Company provides tandem switching at the Company switch for traffic between Carrier and a Company End Office subtending the Company switch.
- 1.18 "Telecommunication Services" shall have the meaning set forth in 47 § U.S.C. 153(46).
- 1.19 "Termination" means the switching of Local Traffic at the terminating Party's End Office Switch, or equivalent facility, and delivery of such traffic to the called Party's End User.
- 1.20 "Usage Factors" are those factors set out in Attachment 1.

## 2. RURAL TELEPHONE COMPANY.

Company is a "rural telephone company" as defined in the Act, 47 U.S.C. § 153(37). By entering this Agreement, Company does not waive any exemptions contained in Section 251(f) of the Act.

## 3. TRAFFIC INTERCHANGED.

- 3.1 The traffic subject to this Agreement shall be that Local Traffic which originates from an End User on the network of one Party and is delivered to an End User on the network of the other Party. Such traffic includes that Local Traffic which is delivered to a terminating party on an indirect basis via a third party tandem switch. The traffic subject to this Agreement also includes traffic that originates on Carrier's

network outside the MTA, is delivered to Company for termination and is identified by means of application of the InterMTA factor set forth on Attachment 1.

- 3.2 The Parties agree that the exchange of traffic of Company's extended area calling service ("EAS") routes shall be considered Local Traffic and compensation for Termination of such traffic shall be paid pursuant to the terms of this Agreement. An NXX assigned to Carrier that is associated with a Company rate center where Carrier is providing service shall be included in an EAS optional calling scope, or similar program to the same extent as any other NXX in the same rate center. EAS routes are those exchanges within a telephone exchange's local calling area, as defined in Company's general End User tariff.

#### 4. FACILITIES.

- 4.1 Each Party shall construct, equip, maintain, and operate its network in accordance with good engineering practices for telecommunications systems and in compliance with all applicable rules and regulations, as amended from time-to-time, of any regulatory body empowered to regulate any aspect of the facilities contemplated herein.
- 4.2 Applicable to direct connection: This Agreement is designed to apply to facilities that are not directly interconnected using a designated POI. This Agreement is intended to begin as indirect connection. The terms and conditions related to direct connection, such as POI or joint billing provisions in Section 7, are included for the convenience of the Parties should a direct connection be put in place under the trigger set forth in Section 4.3, below.
- 4.3 Applicable to indirect connection using third-party tandems: As between the Parties, each Party shall be solely responsible for any charges the third-party tandem provider may assess for transiting traffic, if any, that originates on said Party's network. If traffic exchanged between Company and Carrier reaches 500,000 minutes per month for three consecutive months, Company and Carrier will provide a direct connection between the two. Overflow traffic may continue to be delivered via a third party tandem in addition to the use of a direct connection. In this case, as between the Parties, each Party shall be responsible for its costs to reach the meet point.
- 4.4 It shall be the responsibility of each Party to program and update its own switches and network systems pursuant to the LERG guidelines to recognize and route traffic to the other Party's assigned NXX codes, provided routes are established. Neither Party shall impose any fees or charges whatsoever on the other Party for programming and updating its own switches.
- 4.5 The Parties expect that where feasible, traffic will be delivered to each involved network with CCS/SS7 protocol and the appropriate ISUP/TCAP message to facilitate full interoperability and billing functions. In-band signaling may be used if

CCS/SS7 is not available. The costs for SS7 messaging service shall be borne by each Party pursuant to a bill and keep arrangement, meaning that neither Party will bill the other Party for expenses related to SS7 messaging service.

5. RATES AND CHARGES.

5.1 The Parties hereby agree to the following rates for the facilities and services to be provided pursuant to this Agreement. The Parties hereby agree the rates set forth herein shall become effective when this Agreement is signed by both Parties.

Facilities

Rates

a. Local Network Usage

For Carrier's Local Traffic that is terminated to a Company End Office, Carrier will compensate Company as set forth in Attachment 1. For Company's Local Traffic that is terminated to Carrier, Company will compensate Carrier as set forth in Attachment 1. Attachment 1 is incorporated as though fully set forth.

b. Access Services

For the Carrier's interMTA traffic originated or terminated by Company, the Company's tariffed access rates shall apply and Carrier will pay the same as set forth in said tariffs.

5.2 Until such time as Company is capable of measuring terminating traffic, Company shall bill Carrier based upon a terminating to originating ratio. See the description on Attachment 1.

5.3 Company will prepare its bill in accordance with its existing CABS billing systems. Notwithstanding anything to the contrary in this Agreement, until a more accurate measurement system is in place, Company will prepare a net bill that is calculated according to the terminating to originating ratios set out on Attachment 1, based on Company's originating minutes destined to Carrier NPA/NXX combinations within the MTA as set forth in the LERG. Carrier shall not prepare a separate bill, but shall pay Company based on the net bill rendered by Company, subject to rights to dispute such bill as set out in this Agreement. At the time either Party believes it has a more accurate measurement capability, it may propose an amendment to this Section and the Parties agree to negotiate in good faith concerning such amendment.

5.3.1 De Minimis Traffic. Where the Local Traffic exchanged between the Parties is less than five thousand (5,000) minutes per month, the Parties agree to bill each other on a quarterly, rather than monthly basis.

- 5.4 When measurement of traffic is reasonably available, for purposes of billing compensation for the interchange of Local Traffic, billed minutes will be based upon conversation time for those minutes of use actually measured. When measurement is available, conversation time will be determined from actual usage recordings. Conversation time begins when the originating Party's network receives answer supervision and ends when the originating Party's network receives disconnect supervision.
- 5.5 The charges for Interconnection Facilities shall be determined by Company's applicable tariff for such facilities or, if tariff rates are not available, then by an individual case contract. The nonrecurring and recurring charges for two-way facilities shall be shared on a proportionate basis.

6. BILLING AND PAYMENT OF CHARGES.

- 6.1 Nonrecurring charges will be billed upon completion of the work activity for which the charge applies; monthly recurring charges will be billed in advance; and usage will be billed in arrears. All bills will be due upon receipt of the bill, and will become delinquent if not paid within thirty (30) days thereafter. All bills shall be deemed received three (3) business days after the date of mailing. Each Party agrees that it will make a good faith effort to resolve any billing dispute arising under this Agreement.
- 6.2 If any undisputed amount due on the bill is not received by the billing Party before the amount becomes delinquent, the billing Party may charge, and the billed Party agrees to pay, interest on the past due balance at a rate equal to the lesser of one and one-half percent (1-1/2%) per month or the maximum nonusurious rate of interest under applicable law. Late payment charges shall be included on a subsequent invoice.
- 6.3 If any portion of an amount due to a billing Party under this Agreement is subject to a bona fide dispute between the Parties, the billed Party shall within thirty (30) days of its receipt of the invoice containing such disputed amount give notice to the billing Party of the amounts it disputes ("Disputed Amounts") and include in such notice the specific details and reasons for disputing each item. The billed Party shall pay all undisputed amounts to the billing Party prior to those amounts becoming delinquent. The balance of the Disputed Amount shall thereafter be paid with appropriate late charges, if appropriate, upon final determination of such dispute.
- 6.4 The billing Party shall charge and collect from the billed Party, and the billed Party agrees to pay to the billing Party, appropriate federal, state, and local taxes and surcharges where applicable, except to the extent the billed Party notifies the billing Party and provides appropriate documentation that the billed Party qualifies for a full or partial exemption.



6.5 Either Party may conduct an audit of the other Party's books and records pertaining to the services provided under this Agreement no more than once per twelve (12) month period to evaluate the other Party's accuracy of billing, data and invoicing in accordance with this Agreement. Any audit shall be performed as follows: (a) following at least thirty (30) days prior written notice to the audited Party, (b) subject to reasonable scheduling requirements and limitations of the audited Party, (c) at the auditing Party's sole expense, (d) of a reasonable scope and duration, (e) in a manner so as not to interfere with the audited Party's business operations, and (f) in compliance with the audited Party's security rules.

## 7. NON-LOCAL TELECOMMUNICATIONS TRAFFIC.

7.1 The Parties contemplate that they may exchange non-local telecommunications traffic over the interconnection facilities provided for under this Agreement. Compensation for non-local traffic shall be subject to the appropriate access rates. Compensation shall be charged according to the Usage Factors set out on Attachment 1.

7.2 When the Parties provide an access service connection between an IXC and each other, each Party will provide its own access services to the IXC. Each Party will bill its own access service rates to the IXC pursuant to the procedures described in Multiple Exchange Carrier Access Billing ("MECAB") document SR-BDS-000983, issued 5, June 1994. The Parties shall provide to each other the Switched Access Detail Usage Data and the Switched Access Summary Usage Data to bill for jointly provided switched access service, such as switched access Feature Groups B and D. The Parties agree to provide this data to each other at no charge.

7.3 If the procedures in the MECAB document are amended or modified, the Parties shall implement such amended or modified procedures within a reasonable period of time. Each Party shall provide the other Party the billing name, billing address, and carrier identification code ("CIC") of the IXCs that may utilize any portion of either Party's network in a Carrier/Company Meet Point Billing (MPB) arrangement in order to comply with the MPB notification process as outlined in the MECAB document.

## 8. IMPAIRMENT OF SERVICE.

The characteristics and methods of operation of any circuits, facilities or equipment of either Party connected with the services, facilities, or equipment of the other Party pursuant to this Agreement shall not interfere with or impair service over any facilities of the other Party, its Affiliates, or its connecting and concurring carriers involved in its services, cause damage to their plant, violate any applicable law or regulation regarding the invasion of privacy of any communications carried over the Party's facilities or create hazards to the employees of either Party or to the public (each hereinafter referred to as an "Impairment of Service").

9. CREDIT ALLOWANCE FOR SERVICE INTERRUPTIONS.

Credit allowance for interruption of services provided under this Agreement shall be governed by the terms and conditions set forth in Company's intrastate access tariffs. For purposes of this Agreement, Carrier adopts the credit allowances set forth in Company's intrastate access tariffs as its own for purposes of providing credit allowance to Company.

10. SERVICE ORDERS.

Carrier shall order Interconnection Facilities on a per circuit basis and shall specify at the time the circuit is ordered the date on which Carrier desires that the service be provided. Company will process such orders in accordance with its normal procedures for the installation of comparable circuits and will advise Carrier whether or not it can meet the service date requested by Carrier and, if not, the date by which service will be provided. If Carrier wishes that the service be provided at an earlier date, Company will make reasonable efforts to meet Carrier's request on the condition that Carrier agrees to reimburse Company for all additional costs and expenses, including but not limited to, overtime charges associated with providing service at the earlier date, provided Carrier has pre-approved the work and charges.

11. RESOLUTION.

If either Party causes an Impairment of Service, the Party whose network or service is being impaired (the "Impaired Party") shall promptly notify the Party causing the Impairment of Service (the "Impairing Party") of the nature and location of the problem and that, unless promptly rectified, a temporary discontinuance of the use of any circuit, facility or equipment may be required. The Impairing Party and the Impaired Party agree to work together to attempt to promptly resolve the Impairment of Service. If the Impairing Party is unable to promptly remedy the Impairment of Service, then the Impaired Party may at its option temporarily discontinue the use of the affected circuit, facility or equipment until the circumstance or condition giving rise to the Impairment of Service is eliminated or otherwise resolved.

12. TROUBLE REPORTING.

12.1 In order to facilitate trouble reporting, each Party has established a single point of contact with voicemail capability available 24 hours per day, seven days per week, at telephone numbers to be provided by the Parties. Each Party shall call the other at these respective telephone numbers to report trouble with connection facilities, trunks, and other interconnection arrangements, to inquire as to the status of trouble ticket numbers in progress, and to escalate trouble resolution.

12.2 Before either Party reports a trouble condition, it must first use its reasonable efforts to isolate the trouble to the other Party's facilities, service, and arrangements. Each Party will advise the other of any critical nature of the inoperative facilities, service,

and arrangements and any need for expedited clearance of trouble. In cases where a Party has indicated the essential or critical need for restoration of the facilities, services or arrangements, the other Party shall use its best efforts to expedite the clearance of trouble.

13. TERM AND TERMINATION.

- 13.1 This Agreement shall take effect as of the date it is signed by both Parties and have an initial term of one year, unless earlier terminated as provided for in this Agreement, and shall continue in force and effect thereafter for successive one-year terms, until replaced by another agreement or terminated by either Party upon thirty (30) days written notice to the other.
- 13.2 Notwithstanding a notice of termination, unless the Party receiving such notice agrees to an earlier termination, this Agreement shall remain in effect until replaced by another agreement negotiated or arbitrated between the Parties pursuant to applicable law within one hundred and eighty (180) calendar days from the date that the notice of termination was received. This Agreement shall terminate on the one hundred and eighty first (181st) day after the date that the notice of termination was received if the Agreement has not been superseded by another agreement.
- 13.3 If this Agreement is terminated, each Party agrees to disconnect from each other's network.
- 13.4 Notwithstanding Section 13.1, this Agreement shall be terminated in the event that:
- a. the FCC revokes, cancels, does not renew, or otherwise terminates Carrier's authorization to provide CMRS in that portion of the MTA served by Company as a wireline Local Exchange Carrier, or the Commission revokes, cancels, or otherwise terminates Company's certification or authority to provide local service; or
  - b. either Party: (i) becomes bankrupt or insolvent; (ii) makes a general assignment for the benefit of, or enters into any arrangement with creditors; (iii) files a voluntary petition under any bankruptcy, insolvency, or similar laws; or (iv) proceedings are instituted under any bankruptcy, insolvency, or similar laws seeking the appointment of a receiver, trustee, or liquidator for the Party which are not terminated within sixty (60) days of such commencement.
- 13.5 Either Party shall have the right to terminate this Agreement upon written notice to the other Party in the event:
- a. a Party is in arrears in the payment of any undisputed amount due under this Agreement for more than sixty (60) days, and the Party does not pay such

sums within ten (10) business days of receipt by it of the other Party's written demand for payment; or

- b. a Party is in material breach of the provisions of this Agreement and that breach continues for a period of thirty (30) days after the receipt by it of the other Party's written notification of such breach, including a reasonably detailed statement of the nature of the breach.

#### 14. LIABILITY UPON TERMINATION.

Termination of this Agreement, or any part hereof, for any cause shall not release either Party from (1) any liability which at the time of termination had already accrued to the other Party or which thereafter accrues in any respect to any act or omission occurring prior to the termination, or (2) from any obligation which is expressly stated in this Agreement to survive termination.

#### 15. AMENDMENTS.

Any amendment, modification, or supplement to this Agreement must be in writing and signed by an authorized representative of each Party. The term "this Agreement" includes Attachment 1 hereto and shall include future amendments, modifications, and supplements.

#### 16. ASSIGNMENT.

16.1 Any assignment, in whole or in part, by either Party of any right, obligation, or duty arising under this Agreement or of any interest in this Agreement, without the written consent of the other Party, which consent shall not be unreasonably withheld, shall be void, except that, without such consent but with written notification to the non-assigning Party, either Party may assign all of its rights, and delegate all of its obligations, liabilities, and duties, under this Agreement to any entity that is, or that was immediately preceding such assignment, a wholly owned subsidiary or Affiliate of that Party. The effectiveness of an assignment shall be conditioned upon the assignee's written assumption of all of the rights, obligations, liabilities and duties of the assigning Party arising under this Agreement and the delivery of such written assumption, or of a true copy thereof, to the non-assigning Party. In the event of a partial assignment of any right arising under this Agreement or of any interest in this Agreement, the non-assigning Party shall have any and all defenses against the assignee as it would have had against the assignor had the assignment not occurred.

16.2 Nothing in this Agreement shall prohibit Carrier from extending its CMRS network through management contracts with third parties for the construction and operation of a CMRS system under the Carrier's brand name and license. Traffic originating on such extended networks shall be treated as Carrier's traffic subject to the terms, conditions, and rates of this Agreement. Traffic traversing such extended networks shall be deemed to be and treated under this Agreement as "Carrier

telecommunications traffic” when it originates on such extended network and terminates on Company’s network, and as “Company telecommunications traffic” when it originates upon Company’s network and terminates upon such extended network. Telecommunications traffic traversing on such extended networks shall be subject to the terms, conditions, and rates of this Agreement.

16.3 Either Party may enter into subcontracts with third parties or Affiliates for the performance of any of its duties or obligations under this Agreement.

17. AUTHORITY.

Each person whose signature appears on this Agreement represents and warrants that he or she has authority to bind the Party on whose behalf he or she has executed this Agreement.

18. BINDING AFFECT.

This Agreement shall be binding on and inure to the benefit of the respective successors and permitted assigns of the Parties.

19. COMPLIANCE WITH LAWS AND REGULATIONS.

Each Party shall comply with all federal, state, and local statutes, regulations, rules, ordinances, judicial decisions, and administrative rulings applicable to its performance under this Agreement.

20. ENTIRE AGREEMENT.

This Agreement constitutes the entire agreement of the Parties pertaining to the subject matter of this Agreement and supersedes all prior agreements, negotiations, proposals, and representations, whether written or oral, and all contemporaneous oral agreements, negotiations, proposals, and representations concerning such subject matter. No representations, understandings, agreements, or warranties, expressed or implied, have been made or relied upon in the making of this Agreement other than those specifically set forth herein.

21. EXPENSES.

Except as specifically set out in this Agreement, each Party shall be solely responsible for its own expenses involved in all activities related to the subject of this Agreement.

22. FORCE MAJEURE.

In the event performance of this Agreement, or any obligation hereunder, is either directly or indirectly prevented, restricted, or interfered with by reason of fire, flood, earthquake, or like acts of God, wars, revolution, civil commotion, explosion, acts of public enemy, embargo,

acts of the government in its sovereign capacity, labor difficulties, including without limitation, strikes, slowdowns, picketing, or boycotts, unavailability of equipment from vendor, changes requested by the other Party, or any other circumstances beyond the reasonable control and without the fault or negligence of the Party affected, the Party affected, upon giving prompt notice to the other Party, shall be excused from such performance on a day-to-day basis to the extent of such prevention, restriction, or interference (and the other Party shall likewise be excused from performance of its obligations on a day-to-day basis until the delay, restriction or interference has ceased); provided however, that the Party so affected shall use diligent efforts to avoid or remove such causes of nonperformance and both Parties shall proceed whenever such causes are removed or cease.

23. GOVERNING LAW.

23.1 This Agreement shall be governed by and construed in accordance with the domestic laws of the state of Washington as well as the Act and other federal laws, and shall be subject to exclusive jurisdiction of the courts and/or regulatory commission of such state, except to the extent that the Act and other federal laws provide for federal jurisdiction.

23.2 The terms and conditions of this Agreement shall be subject to any and all applicable laws, rules, or regulations that subsequently may be adopted by any applicable federal, state, or local governmental authority. Any modifications to this Agreement occasioned by such changes shall be effected through good faith negotiations concerning modifications to this Agreement.

24. INDEPENDENT CONTRACTOR RELATIONSHIP.

The persons implementing this Agreement on behalf of each Party shall be solely that Party's employees or contractors and shall be under the sole and exclusive direction and control of that Party. They shall not be considered employees of the other Party for any purpose. Each Party shall remain an independent contractor with respect to the other and shall be responsible for compliance with all laws, rules and regulations involving, but not limited to, employment of labor, hours of labor, health and safety, working conditions and payment of wages. Each Party shall also be responsible for payment of taxes, including federal, state and municipal taxes, chargeable or assessed with respect to its employees, such as Social Security, unemployment, workers' compensation, disability insurance and federal and state withholding. Each Party shall indemnify the other for any loss, damage, liability, claim, demand, or penalty that may be sustained by reason of its failure to comply with this provision.

25. LIABILITY AND INDEMNITY.

25.1 Indemnification.

Each Party agrees to indemnify, defend, and hold harmless the other Party from all losses, claims, demands, damages, expenses, suits, or other actions, or any liability whatsoever, including, but not limited to, costs and attorney's fees, whether suffered, made, instituted, or asserted by any other Party or person, for invasion of privacy, personal injury to or death of any person or persons, or for losses, damages, or destruction of property, whether or not owned by others, proximately caused by the indemnifying Party's negligence or willful misconduct, regardless of form of action.

25.2. Disclaimer.

EXCEPT AS SPECIFICALLY PROVIDED TO THE CONTRARY IN THIS AGREEMENT, NEITHER PARTY MAKES ANY REPRESENTATIONS OR WARRANTIES TO THE OTHER PARTY CONCERNING THE SPECIFIC QUALITY OF ANY SERVICES OR FACILITIES PROVIDED UNDER THIS AGREEMENT. EACH PARTY DISCLAIMS, WITHOUT LIMITATION, ANY WARRANTY OR GUARANTEE OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR ARISING FROM COURSE OF PERFORMANCE, FROM COURSE OF DEALING, OR FROM USAGES OF TRADE OR OTHERWISE.

25.3 Limitation of Liability.

A Party's liability, whether in tort or otherwise, shall be limited to direct damages, which shall not exceed the pro rata portion of the monthly charges for the services or facilities for the time period during which the services or facilities provided pursuant to this Agreement are inoperative, not to exceed in total the monthly charge payable by the liable Party to the other Party. Under no circumstance shall a Party be responsible or liable to the other Party for indirect, incidental, or consequential damages, including, but not limited to, economic loss or lost business or profits, damages arising from the use or provisioning of services hereunder.

25.4 Relationship to Prices.

The prices for services provided under this Agreement are set in express reliance upon the enforceability of this Section 25 and this Section 25 constitutes an essential element of the bargain.

25.5 Survival.

The provisions of this Section 25 shall survive any termination of this Agreement.

25.6 Equipment.

Except as otherwise provided in this Section 25, no Party shall be liable to the other Party for any loss, defect, or equipment failure caused by the conduct of the first

Party, its agents, servants, contractors or others acting in aid or concert with that Party, except in the case of gross negligence or willful misconduct.

#### 25.7 Notice and Procedure.

- a. The indemnified Party will notify the indemnifying Party promptly and in writing of any claims, lawsuits, or demands by End Users or other third parties for which the Indemnified Party alleges that the indemnifying Party is responsible under this Section, and, if requested by the indemnifying Party, will tender defense of such claim, lawsuit or demand.
- b. If the indemnifying Party does not promptly assume or diligently pursue the defense of the tendered action, then the indemnified Party may proceed to defend or settle said action and the indemnifying Party shall hold harmless the indemnified Party from any loss, cost liability, damage and expense resulting from such action. Further, the indemnifying Party shall bear all costs and expenses, including reasonable attorneys' fees, the indemnified Party incurs in defending and/or settling the action.
- c. In the event the Party otherwise entitled to indemnification from the other elects to decline such indemnification, then the Party making such an election may, at its own expense, assume defense and settlement of the claim, lawsuit or demand, which election shall relieve the other Party from any further liability or obligation to the Party making the election with respect to the claim, lawsuit or demand, or the subject matter thereof.
- d. The Parties will cooperate in every reasonable manner with the defense or settlement of any claim, demand, or lawsuit subject to indemnification pursuant to this Section 25.
- e. Neither Party shall accept the terms of a settlement that involves or references the other Party in any manner without the other Party's prior written approval.

#### 26. DISPUTE RESOLUTION.

Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, will be resolved by both Parties according to the procedures set forth below.

##### 26.1 Alternative to Litigation.

The Parties desire to resolve disputes arising out of or relating to this Agreement without litigation. Accordingly, the Parties agree to use the following alternative dispute resolution procedures with respect to any controversy or claim arising out of or relating to this Agreement or its breach, except for (i) an action seeking a temporary restraining order or injunction related to the confidentiality provisions of



Section 27 or to compel compliance with this dispute resolution process unless the Parties agree at the time of the dispute to submit the matter to arbitration.

## 26.2 Negotiations and Dispute Resolution Process.

At the written request of a Party, each Party shall appoint, within ten (10) business days after the date of the request, a knowledgeable, responsible representative to meet and negotiate in good faith for a period of up to forty-five (45) days after the request to resolve any dispute arising under this Agreement. The Parties intend that these negotiations be conducted by business representatives, who may be attorneys. The location, format, frequency, duration, and conclusion of these discussions shall be left to the discretion of the representatives. Upon mutual agreement, the representatives may utilize other alternative dispute resolution procedures such as private mediation to assist in the negotiations. Discussions and correspondence between or among the representatives for purposes of these negotiations shall be treated as confidential information developed for purposes of settlement, shall be exempt from discovery and production, and shall not be admissible in the arbitration described below or in any lawsuit without the concurrence of all Parties. Documents identified in or provided with such communications, which are not prepared for purposes of the negotiations, are not so exempted and may, if otherwise discoverable, be discovered and, if otherwise admissible, be admitted in evidence, in the arbitration or lawsuit.

If the negotiations do not resolve the dispute within forty-five (45) days after the initial written request, the Parties may raise such dispute to a court of competent jurisdiction or, if the matter is within the jurisdiction of the agency, the FCC or the Commission. Alternatively, the Parties may by mutual consent elect to submit such claim to either non-binding or mutual binding arbitration by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association or such other rules to which the Parties may agree, albeit not necessarily under the auspices of the American Arbitration Association. Any arbitration mutually agreed upon by the Parties will be conducted in accordance with the procedures set out in those rules. Reasonable discovery shall be allowed and controlled by the arbitrator. The arbitration hearing shall be commenced within sixty (60) days of the demand for arbitration. The arbitration shall be held in Washington or as mutually agreed to by the Parties. The arbitrator shall control the scheduling so as to process the matter expeditiously. The arbitrator shall rule on the dispute by issuing a written opinion within thirty (30) days after the close of hearing. The times specified in this paragraph may be extended upon mutual agreement of the Parties or by the arbitrator upon a showing of good cause. The arbitrator shall not have authority to award punitive damages. Where both Parties consent to mutual binding arbitration, the decision of the arbitrator shall be final and binding upon the Parties and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction.

Each Party shall bear its own costs of these procedures. The Parties shall equally split the fees of the arbitration and the arbitrator.

With respect to a billing dispute under Section 6, neither Party shall terminate or suspend the provision of any service or other performance under this Agreement during the pendency of any dispute resolution or arbitration undertaken pursuant to this Section. The disputing Party may withhold payment of the disputed amount, but must pay all charges not in dispute per the payment terms in this Agreement. The disputing Party will cooperate with the billing Party to resolve any dispute expeditiously. If the Parties fail to resolve the billing dispute within thirty (30) days of written notice of a disputed amount, then either Party may submit the dispute for resolution pursuant to Section 26.2. Any amounts which are then determined to be owing to the billing Party shall be paid within ten (10) days of the decision. In the event the billing dispute is resolved in favor of the billing Party, any payments withheld pending settlement of the dispute will be subject to a late payment penalty under Section 6 applied back to the date each such payment shall have first become delinquent.

No arbitration demand or other judicial or administrative action, regardless of form, arising out of or related to this Agreement may be brought by either Party more than two (2) years after the cause of action arises. The limitation contained in this Section shall not apply to causes of action arising in fraud. In the case of fraud, the two (2) year limitation contained in this Section shall run from the time of discovery of the basis for the claim of fraud.

#### 26.3 Savings Clause.

Either Party may determine, in its own judgment, that negotiations are not producing measurable results and may then avail themselves of any remedy they may have under law, including, but not limited to, resort to complaint to the appropriate administrative agency or court action. The Parties may agree to submit the matter to arbitration on such terms and conditions as may be mutually agreed upon by the Parties.

#### 26.4 Continuous Service.

The Parties shall continue providing services to each other during the pendency of any dispute resolution procedure, and the Parties shall continue to perform their obligations (including making payments in accordance with Section 6) in accordance with this Agreement.

### 27. CONFIDENTIAL INFORMATION.

#### 27.1 Identification.

Either Party may disclose to the other proprietary or confidential End User, technical, or business information in written, graphic, electronic, oral or other tangible or intangible forms (“Confidential Information”). In order for information to be considered Confidential Information under this Agreement, it must be marked “Confidential” or “Proprietary,” or bear a marking of similar import. Orally or visually disclosed information shall be deemed Confidential Information only if contemporaneously identified as such and reduced to writing and delivered to the other Party with a statement or marking of confidentiality within thirty (30) calendar days after oral or visual disclosure. The following information shall be deemed Confidential Information, whether or not marked as such: orders for services, usage information in any form, and Customer Proprietary Network Information (“CPNI”) as that term is defined by the Act and the rules and regulations of the FCC and Commission.

## 27.2 Handling.

In order to protect such Confidential Information from improper disclosure, each Party agrees:

- a. That all Confidential Information shall be and shall remain the exclusive property of the Party from whom or from whose representative(s), the Confidential Information is obtained (“Source”);
- b. To limit access to such Confidential Information to authorized employees and representatives who have a need to know the Confidential Information for performance of this Agreement;
- c. To keep such Confidential Information confidential and to use the same level of care to prevent disclosure or unauthorized use of the received Confidential Information as it exercises in protecting its own Confidential Information of a similar nature;
- d. Except as permitted by b., above, not to copy, publish, or disclose such Confidential Information to others or authorize anyone else to copy, publish, or disclose such Confidential Information to others without the prior written approval of the Source;
- e. To return promptly any copies of such Confidential Information to the Source at its request; and
- f. To use such Confidential Information only for purposes of fulfilling work or services performed hereunder and for other purposes only upon such terms as may be agreed upon between the Parties in writing.

## 27.3 Exceptions.

These obligations shall not apply to any Confidential Information that was legally in the recipient's possession prior to receipt from the Source, was received in good faith from a third party not subject to a confidential obligation to the Source, now is or later becomes publicly known through no breach of confidential obligation by the recipient, was developed by the recipient without the developing persons having access to any of the Confidential Information received in confidence from the Source, or that is required to be disclosed pursuant to subpoena or other process issued by a court or administrative agency having appropriate jurisdiction; provided, however, that, with respect to disclosure pursuant to subpoena or other process, the recipient shall give as much prior notice as possible to the Source and shall reasonably cooperate if the Source deems it necessary to seek protective arrangements.

27.4 Survival.

The obligation of confidentiality and use with respect to Confidential Information disclosed by one Party to the other shall survive any termination of this Agreement for a period of three (3) years from the date of the initial disclosure of the Confidential Information.

28. NOTICES.

Any notice to a Party required or permitted under this Agreement shall be in writing and shall be deemed to have been received on the date of service if served personally, on the date receipt is acknowledged in writing by the recipient if delivered by regular U.S. mail, or on the date stated on the receipt if delivered by certified or registered mail or by a courier service that obtains a written receipt. Notice may also be provided by facsimile, which shall be effective on the next business day following the date of transmission. The Party receiving the notice by facsimile will provide written confirmation to the other Party. Any notice shall be delivered using one of the alternatives mentioned in this section and shall be directed to the applicable address indicated below or such address as the Party to be notified has designated by giving notice in compliance with this Section:

If to Company:        Hat Island Telephone Co.  
                                 Attention: President  
                                 14888 SR 525  
                                 Langley, WA 98260  
                                 Telephone #: 360-444-1122  
                                 Facsimile #: 360-321-8118

With copy to (which shall not alone constitute notice):  
                                 Robert Snyder  
                                 1000 2<sup>nd</sup> Avenue  
                                 30<sup>th</sup> Floor

Seattle, WA 98104

If to Carrier: Verizon Wireless  
Attention: Regulatory Counsel – Interconnection  
1300 I Street NW, Suite 400W  
Washington DC 20005  
Telephone #: 202-589-3756  
Facsimile #: 202-589-3750

With copy to: Verizon Wireless  
Attention: Mary Bacigalupi  
2785 Mitchell Drive, MS 7-1  
Walnut Creek, CA 94598

29. REGULATORY AGENCY CONTROL

This Agreement shall at all times be subject to changes, modifications, orders, and rulings by the FCC and/or the Commission to the extent the substance of this Agreement is or becomes subject to the jurisdiction of such agency.

30. SEVERABILITY.

If any provision of this Agreement is held by a court or regulatory agency of competent jurisdiction to be unenforceable, the rest of the Agreement shall remain in full force and effect and shall not be affected unless removal of that provision results in a material change to this Agreement. If a material change as described in this paragraph occurs as a result of action by a court or regulatory agency, the Parties shall negotiate in good faith for replacement language. If replacement language cannot be agreed upon within a reasonable period, either Party may terminate this Agreement without penalty or liability for such termination upon written notice to the other Party.

31. PATENTS.

No license under patents is granted by Carrier to Company, or by Company to Carrier, or shall be implied or arise by estoppel with respect to any circuit, apparatus, system, or method used by either of them in connection with any facilities, service or arrangements furnished under this Agreement.

32. FILING OF AGREEMENT.

The Parties will cooperate in submitting this Agreement for filing with the Commission.

33. COUNTERPARTS.

This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

34. CONSTRUCTION.

It is agreed and understood that both Parties negotiated the terms and conditions of this Agreement. This Agreement shall not be construed more favorably for one Party or the other.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement effective as of the date signed by both Parties.

Verizon Wireless (VAW) LLC d/b/a  
Verizon Wireless

Company HAT ISLAND TELEPHONE CO.

Cellco Partnership d/b/a Verizon Wireless

By: Marion F. Henry

Seattle SMSA Limited Partnership d/b/a  
Verizon Wireless

Name: MARION F. HENRY

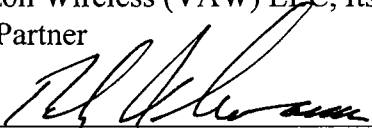
By Cellco Partnership, Its General Partner

Title: President

Grays Harbor Limited Partnership d/b/a  
Verizon Wireless  
By Verizon Wireless (VAW) LLC, Its  
General Partner

Date: May 11, 2004

Olympia Cellular Limited Partnership d/b/a  
Verizon Wireless  
By Verizon Wireless (VAW) LLC, Its  
General Partner

By: 

Name: Robert F. Swaine

Title: West Area Vice President - Network

Date: 4-16-04

## Attachment 1 Rates

1. Traffic Factor

Land-to-Mobile	.30
Mobile-to-Land	.70
  
2. Usage Factors

Percent Local Usage (PLU)	.97
Inter MTA Factor	.03
*Percent Interstate Usage (PIU)	.50
*Intrastate Usage Percentage	.50

\*These factors apply only to InterMTA traffic.

3. Local Traffic Termination Rates

Each Party agrees to compensate the other for terminating local service area calls originated on the originating Party's network at \$0.02 per minute of use.

4. Illustration of Application of Billing Rates

Company shall bill Carrier based upon Company's originating minutes as follows. First assume that Company has 3,000 minutes that originate in a month and terminate to Carrier. Using the ratios set forth in the Traffic Factors above, Company will then bill Carrier for 7,000 minutes terminating on Company's facilities. In this example, the InterMTA factor is 2%.

The Usage Factors will be applied to the 7,000 minutes, resulting in 98%, or 6,860, of the minutes will be rated at the Local Traffic termination rate of \$0.02 per minute of use. Of the remaining 140 minutes, 70 of those minutes will be charged intrastate access rates and 70 of the minutes will be charged interstate access rates.

Company will then factor the Land-to-Mobile traffic using the 3000 originating minutes from the example and applying the Traffic Factors above. Company will net these minutes from the bill generated to Carrier.