

**Amendment to the Traffic Exchange Agreement by and between
AT&T Wireless Services, Inc., and
Hat Island Telephone Company**

This Amendment ("Amendment") is entered into by and between Hat Island Telephone Company, a Washington corporation ("Company") and New Cingular Wireless PCS, LLC, a Delaware limited liability company, and its Commercial Mobile Radio Service ("CMRS") operating affiliates that are (i) consolidated with New Cingular Wireless PCS, LLC for financial reporting purposes, (ii) licensed by the Federal Communications Commission to provide wireless radio and other services associated with subscriber accounts and (iii) doing business as AT&T Mobility (hereafter "AT&T Mobility"), as successor(s) in interest to AT&T Wireless Services, Inc., a Delaware corporation, and all of its subsidiaries that are (or during the term of the Agreement (as defined below) have been) (i) consolidated with AT&T Wireless Services, Inc. for financial reporting purposes, (ii) licensed by the Federal Communications Commission to provide wireless radio and other services associated with subscriber accounts, and (iii) doing business as AT&T Wireless and/or AT&T Wireless Services; Company and AT&T Mobility are each referred to as a "Party" and collectively as "Parties".

RECITALS

WHEREAS, the Parties, or their predecessors in interest, previously entered into a Traffic Exchange Agreement, effective as of November 10, 2004, and approved by order, dated November 10, 2004, of the Washington Utilities and Transportation Commission ("WUTC") in its Docket No. UT-043095 ("Agreement"); and

WHEREAS, the Federal Communications Commission, in FCC Order No. 11-161, released November 18, 2011, adopted 47 C.F.R. § 51.705(a), which provides that bill-and-keep shall be the default compensation arrangement between local exchange carriers, such as the Company, and CMRS providers, such as AT&T Mobility, for the transport and termination (as defined in 47 C.F.R. § 51.701(c) and (d), as revised by FCC Order No. 11-161), of all Local Traffic, as defined in the Agreement, exchanged between them; and

WHEREAS, the Federal Communications Commission, in FCC Order No. 11-189, released December 23, 2011, has provided that such default bill-and-keep arrangements, when requested before July 1, 2012, shall become effective as default arrangements July 1, 2012; and

WHEREAS, AT&T Mobility requests to apply a bill-and-keep arrangement to all Local Traffic exchanged between the Parties except as set forth in Paragraph 3 below, and the Company is willing to agree to such application upon the terms and conditions set forth in this Amendment; and

WHEREAS, the Agreement contains a provision that authorizes the Parties to amend the Agreement to comport with changes of law; and

WHEREAS, the Parties desire to amend the Agreement to provide for application of a bill-and-keep arrangement to the exchange of all Local Traffic between them other than as set forth in Paragraph 3 below, such bill-and-keep arrangement to become effective July 1, 2012, subject to Paragraph 8 below;

AGREEMENT

NOW THEREFORE, in consideration of the premises and the mutual terms, covenants and conditions contained in this Amendment, the Parties agree as follows:

Amendment Terms

1. From July 1, 2012, forward, all Local Traffic exchanged between the Parties pursuant to the Agreement shall be subject to a bill-and-keep compensation arrangement, which means that, except as otherwise provided in Paragraph 3 below, neither Party shall charge the other for the transport and termination of the other's Local Traffic so exchanged.
2. The Company's transport obligation for Local Traffic shall stop at AT&T Mobility's chosen interconnection point, when that point is located within the Company's geographically contiguous service area, and AT&T Mobility shall deliver all Local Traffic that originates on its network that is to be terminated within such geographically contiguous service area to that interconnection point. When AT&T Mobility's chosen interconnection point is located outside the Company's geographically contiguous service area, (i) the Company's transport obligation for Local Traffic originating on its network and to be delivered by it to AT&T Mobility shall stop at the Company's meet point, and AT&T Mobility shall be responsible for the remaining transport of Local Traffic to its interconnection point, and (ii) AT&T Mobility shall deliver such Local Traffic that originates on its network and that is to be terminated by the Company within its service area that is served by such meet point (a) to such Company meet point, (b) to a third-party transit provider that connects with the Company at such meet point (or another meet point acceptable to the Company), or (c) to an interexchange carrier that, in turn, will deliver such Local Traffic to the Company as access service traffic; provided, however, that in no event shall the Company be responsible for any rates or charges assessed by such third-party transit provider or such interexchange carrier (or any other person or entity) with respect to such Local Traffic originated by AT&T Mobility, and AT&T Mobility hereby agrees to be financially responsible for all such rates and charges for such Local Traffic originated by AT&T Mobility, and to indemnify, defend and hold harmless the Company, its officers, directors, employees, owners and agents from and against any and all claims made by such third-party transit provider and/or by such interexchange carrier, and/or by any other person or entity whose claim arises, in whole or in part, directly or indirectly from AT&T Mobility's use of such third-party transit provider or interexchange carrier, all with respect to such Local Traffic originated by AT&T Mobility.
3. Local Traffic other than EAS Traffic (defined below) that is originated by the Company and terminated to AT&T Mobility may be delivered by the Company to the calling party's Presubscribed Interexchange Carrier ("PIC") – either IntraLATA or InterLATA, as applicable – or the dial-around carrier chosen by the calling party and, in either such

event, shall be subject to the Company's originating switched access charges. At the choice of AT&T Mobility, EAS Traffic originated by Company and terminated to AT&T Mobility will be delivered by the Company to a third-party transit provider or to direct trunks installed between AT&T Mobility and the Company. If AT&T Mobility chooses to have such EAS Traffic delivered to a third-party transit provider, unless the Company consents otherwise in writing, the third-party transit provider must be one with which the Company then has existing connectivity that permits such use at no additional cost to the Company. Subject to the following conditions, AT&T Mobility shall be responsible financially to the third-party transit provider for all rates and charges assessed by the such third-party transit provider with respect to such EAS Traffic, or by any other person or entity that transports or processes such EAS Traffic after its delivery to such third-party transit provider, and shall promptly and timely pay all such rates and charges:

- a. The Company will work cooperatively with AT&T Mobility to utilize the lowest cost third-party transit provider; provided, that (i) quality of service standards are maintained and fully satisfied, and (ii) the lowest cost third-party transit provider has connectivity to the Company that may be used for such purpose at no additional cost to the Company, and (iii) the lowest cost third-party transit provider will not impose or assess any rate(s) or charge(s) upon the Company with respect to such EAS traffic; and
 - b. Company may not assess bills against AT&T Mobility for transit service provided by the third-party transit provider;
 - c. The third-party transit provider's claim against AT&T Mobility -- for charges accruing from traffic originated by Company and routed through the third-party transit provider for termination to AT&T Mobility -- is subject to all rates, terms and conditions of the existing contract(s) between AT&T Mobility and the third-party transit provider for the exchange of telecommunications traffic, or if no such contract(s) exist(s), then to all rates, terms and conditions of the existing contract between AT&T Mobility and the Company for the exchange of telecommunications traffic; provided that if such contract(s) do(es) not contain a transit rate, then the applicable transit rate will be the then current transit rate charged by the largest (determined by number of access lines) incumbent local exchange carrier in the state within which the Company's service area is located;
4. As used in this Amendment, the term "EAS Traffic" means Local Traffic that is (i) exchanged between the Company and AT&T Mobility and (ii) is between Company end users and AT&T NPA-NXX combinations associated with rate centers within the Company's local calling area (including its Extended Area Service ("EAS") calling area, if any) associated with the Company's service area.
 5. Direct interconnection trunks between AT&T Mobility and the Company shall be two-way trunks if there is any Local Traffic to be delivered to AT&T Mobility over such trunks; otherwise, such trunks shall be provisioned as either one-way trunks or two-way trunks, whichever shall be reflected on the Access Service Request issued by AT&T Mobility for such trunks. AT&T Mobility shall be responsible for issuing Access Service Requests to

the Company and to any other local exchange carrier to be involved in the provisioning of such trunks.

6. Direct interconnection trunks between AT&T Mobility and the Company shall meet at a point of interconnection on, or in the vicinity of, the Company's service area boundary. Each Party shall be responsible for all costs of such trunks, including the facilities by means of which such trunks are provisioned, on its side of the point of interconnection. If the Company serves non-contiguous exchanges, at the election of the Company, each such exchange may be deemed to be a distinct Company service area for purposes of this Amendment.
7. The Company shall notify AT&T Mobility within thirty (30) days if the Company ceases to be a rural, rate-of-return LEC, as that term is used in FCC Order No. 11-161. In the event of such cessation, either Party may request of the other that negotiations be commenced on a further amendment to the Agreement, and each Party agrees to commence such negotiations within thirty (30) days following the date on which such request is received by it or by the other Party, whichever shall be applicable.
8. Upon approval by order of the WUTC, this Amendment shall be effective July 1, 2012 and shall remain effective as long as the Agreement remains effective between the Parties, subject to the following:
 - a. The Parties agree specifically that the terms of this Amendment have been developed and agreed upon due solely to a change of law; specifically, the FCC's November 18, 2011 Report and Order and Further Notice of Proposed Rulemaking, In the Matter of the Connect America Fund, et al., Order on Reconsideration, WC Docket 10-90 (FCC 11-161) as modified by the FCC's Order on Reconsideration of December 23, 2011 In the Matter of the Connect America Fund, et al., (FCC Order No. 11-189).
 - b. The FCC Orders constituting the change of law on which this Amendment is based are subject to multiple Petitions for Reconsideration before the FCC and further subject to multiple Petitions for Judicial Review pending before the 10th Circuit United States Court of Appeals.
 - c. In the event the aforesaid change of law is vacated, reversed, set aside or rescinded (collectively "rescission") by administrative action or judicial order, the Parties agree this Amendment shall be void and of no effect from the date that such action or order becomes effective (which by way of illustration and not limitation, shall be back to the effective date of the original change of law in the event that said change of law is vacated), and the Parties' Agreement shall, from that date forward, revert automatically to its prior terms, except as provided in subsection 8.e, below.
 - d. In the event a stay of the FCC Orders constituting the aforesaid change of law is issued pending judicial review or further administrative action, the terms of this Amendment will be suspended and of no effect during the time such stay is effective. During such time the Parties will be subject to the terms of their prior

Agreement unaffected by this Amendment, except as provided in subsection 8.e, below.

- e. If there is a specific controlling order, issued in connection with either a rescission addressed in subsection 8.c or a stay addressed in subsection 8.d, which order provides specifically for compensation for Local Traffic differing from the terms of the Parties' original Agreement, such specific provision shall be adopted promptly through further amendment to the Parties' original Agreement.
- 9. The provisions of this Amendment, including the provisions of this sentence, may not be amended, modified or supplemented without the written consent thereto by both Parties' respective authorized representatives.
- 10. Except as expressly set forth in this Amendment, the terms and conditions of the Agreement shall remain in full force and effect without change. Capitalized terms appearing in this Amendment that are defined in the Agreement shall have the same meanings as they have in the Agreement.
- 11. The recitals set forth above are material and incorporated herein.
- 12. The provisions of this Amendment are for the benefit of the Parties hereto and not for the benefit of any other person or entity, and this Amendment shall not provide any person or entity not a Party hereto with any remedy, claim, liability, reimbursement, right of action, or other right in excess of those existing without reference hereto.

The Parties, intending to be legally bound, have executed this Amendment as of the dates set forth below, in multiple counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

**New Cingular Wireless PCS, LLC,
and its Commercial Mobile Radio Service
operating affiliates, d/b/a AT&T Mobility**

By: Sheila [Signature]
(Name)

Title: Lead Carrier Relations Mgr.

Date: 7/24/12

Hat Island Telephone Company

By: [Signature]
Bruce Russell

Title: Chief Operating Officer

Date: 7/18/12