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STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:

Kate Giard, Chairman
Dave Harbour
Mark K. Johnson
Anthony A. Price
Janis W. Wilson

In the Matter of the Petition by ACS WIRELESS INC. d/b/a ACS for Arbitration with the CITY OF KETCHIKAN d/b/a KETCHIKAN PUBLIC UTILITIES for the Purpose of Arbitrating a Network Interconnection and Reciprocal Compensation Agreement in the Ketchikan Study Area	)	U-06-101

SUBMITTAL OF INTERCONNECTION AGREEMENT

The City of Ketchikan, d/b/a Ketchikan Public Utilities ("KPU"), hereby submits for Commission approval the attached CMRS Network Interconnection and Reciprocal Compensation Agreement between KPU and ACS Wireless, Inc. ("ACSW"). The parties reached agreement on the final terms of a negotiated agreement following ACSW's commencement of an arbitration proceeding before the Commission in this docket under Section 252 of the Communications Act, 47 U.S.C. § 252. As a result, they jointly informed the arbitrator that the arbitration proceeding in this matter has been settled.

Pursuant to Order U-01-70(1), KPU submits the attached document as a voluntarily negotiated interconnection agreement between the incumbent local exchange carrier and a CMRS provider.

KPU respectfully requests that the Commission approve the attached agreement.

DORSEY & WHITNEY LLP
1031 West 4th Avenue,
Suite 600
Anchorage, AK 99501
(907) 276-4557

DATED this 27th day of December, 2006, at Anchorage, Alaska.

DORSEY & WHITNEY LLP
Attorneys for KPU

By: Heather H. Grahame
Heather H. Grahame
Stefan M. Lopatkiewicz

CERTIFICATE OF SERVICE

This certifies that on December 28, 2006, the following individuals were served via mail as noted below:

Martha Beckwith
Alaska Communications Systems
600 Telephone Avenue MS65
Anchorage, AK 99503

Tina Grovier
Birch Horton Bittner & Cherot
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Patty Johnson
CERTIFICATION SIGNATURE

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4835-7712-4865\1\457040\00011

CMRS Network Interconnection and Reciprocal Compensation Agreement

Between

City of Ketchikan d/b/a KPU Telecommunications

and

ACS Wireless, Inc.

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NETWORK INTERCONNECTION AND RECIPROCAL COMPENSATION AGREEMENT

This Network Interconnection and Reciprocal Compensation Agreement ("Agreement") is entered between City of Ketchikan, d/b/a KPU Telecommunications ("KPU"), an Alaskan Municipality, having an office at 2930 Tongass Avenue, Ketchikan, Alaska 99901, and ACS Wireless, Inc. ("ACSW"), an Alaska corporation, having an office at 600 Telephone Avenue, Anchorage, Alaska, 99503, (collectively "Parties" or individually "Party").

WHEREAS, KPU is a Local Exchange Telecommunications Carrier certificated to provide local exchange and other telecommunications services in the State of Alaska,

WHEREAS, ACSW is a Personal Communications Services (PCS) and Commercial Mobile Radio Services (CMRS) provider authorized to provide mobile and fixed service in the State of Alaska,

WHEREAS, pursuant to the Telecommunications Act of 1996, and other applicable laws, the Parties desire to enter into an agreement for the interconnection of their networks and reciprocal compensation for the termination of Telecommunications Traffic,

NOW, THEREFORE, in consideration of the premises and the mutual covenants of this Agreement, the Parties hereby agree as follows:

Article I Definitions

For purposes of this Agreement, certain terms have been defined in this Article I and elsewhere in this Agreement to encompass meanings that may differ from, or be in addition to, the normal connotation of the defined word. These definitions are specific to the applicable law governing Wireline/Wireless network interconnection and reciprocal compensation; and apply only to this Agreement. Unless the context clearly indicates otherwise, any term defined or used in the singular will include the plural. The words "will" and "shall" are used interchangeably throughout this Agreement and the use of either connotes a mandatory requirement. The use of one or the other will not mean a different degree of right or obligation for either Party. A defined word intended to convey its special meaning is capitalized when used. Terms not defined shall be construed in accordance with their customary meaning in the telecommunications industry as of the effective date of this Agreement.

"**Act**" means the Communications Act of 1934 (47 U.S.C. Section 151 et seq.), as amended by the Telecommunications Act of 1996, as may be subsequently amended or, as from time to time interpreted in the duly authorized rules and regulations of the FCC or the Commission having authority to interpret the Act within its state of jurisdiction.

"Bill and Keep" has the meaning given to the term in Title 47, Part 51 "Interconnection", of the FCC Rules.

"**Cell Site**" means the location of fixed radio transmitting and receiving facilities associated with the origination and termination of wireless traffic to a wireless end user.

"**Commercial Mobile Radio Service**" or "**CMRS**" has the meaning given to the term in Title 47, Part 20, of the FCC Rules.

"**Commission**" means the Regulatory Commission of Alaska.

"**Common Channel Signaling**" or "**CCS**" means a special network, fully separate from the transmission path of the public switched network, which digitally transmits call set-up and network control data.

"**Conversation Time**" means the time (in full second increments) that both Parties' equipment is used for a call, measured from the receipt of answer supervision to disconnect supervision.

"**Customer**" means, whether or not capitalized, any business, residential or governmental customer of services covered by the Agreement, and includes the term "End User". More specific meanings of either of such terms are dependent upon the context in which they appear in the Agreement and the provisions of the Act.

"**End User**" means, whether or not capitalized, any business, residential or governmental customer of services covered by the Agreement and includes the term "Customer". More specific meanings of either of such terms are dependent upon the context in which they appear in the Agreement and the provisions of the Act.

"**Exchange Access**" has the meaning given the term in the Act.

"FCC" means the Federal Communications Commission.

"Fixed Service" has the meaning given to the term in Part 24, FCC Rules.

"Interconnecting Facilities" means dedicated facilities provided either under this Agreement or separate contract used to connect the CMRS and/or PCS (Wireless) network to the LEC (Wireline) network for the purposes of exchanging traffic.

"Interconnection" means the linking of the ACSW network and the KPU network for the mutual exchange of traffic. This does not include the transport and termination of traffic.

"Interexchange Carrier" or **"IXC"** means a Carrier other than a CMRS provider or a LEC that provides, directly or indirectly, Interstate and/or Intrastate for-hire telecommunications service.

"InterMTA Traffic" means all calls that originate in one MTA and terminate in another MTA.

"Local Exchange Carrier" or **"LEC"** has the meaning given to the term in the Act.

"KPU's Local Tariff" means Chapter 11.12 of the Ketchikan Municipal Code, as amended from time to time during the term of this Agreement.

"Local Service Provider" means a carrier licensed by the Commission to provide local exchange service.

"Major Trading Area" or **"MTA"** has the meaning given to the term in 47 CFR Section 24.202(A).

"Misdirected Terminating Toll Access Minutes" are minutes that are interstate or intrastate interexchange minutes that are routed over the Interconnecting Facilities.

"Mobile Telephone Switching Office" ("MTSO") or **"Mobile Switching Center"("MSC")** means facilities and related equipment used to route, transport, and switch commercial mobile radio service traffic to and from and among its end users and other telecommunications companies.

"NANPA" - North American Numbering Plan Administration. Assigns area codes and sets rules for calls to be routed across North America.

"Narrowband PCS" has the meaning given to the term in Part 24, FCC Rules.

"NXX", **"NXX Code"**, **"Central Office Code"**, or **"CO Code"** is the three-digit switch indicator that is defined by the D, E, and F digits of a 10-digit telephone number within the NANP. Each NXX Code contains 10,000 telephone numbers.

"Personal Communications Service" or **"PCS"** has the same meaning given to the term in Part 24, FCC Rules.

"Point of Interconnection" or **"POI"** means a physical location in the KPU Service Area where KPU and ACSW interconnect and which establishes the technical interface and point(s) for operational division of responsibility.

"Reciprocal Compensation" means the Parties' arrangement to compensate one another for the transport and termination on each Party's network facilities of Telecommunications Traffic that originates on the network facilities of the other Party.

"Service Area" for ACSW means the geographic area, i.e., Major Trading Area, within which ACSW is licensed to provide service, and for KPU means KPU's certificated service area.

"Shared Facility Factor" means the factor used to appropriately allocate cost for 2-way DS-1 Interconnection facilities based on proportionate use of the facility between the Parties.

"Signaling System 7" or **"SS7"** means a signaling protocol used by the CCS network.

"Signaling Transfer Point" or **"STP"** means the point where a Party interconnects, either directly or through facilities provided by KPU or a third-party provider with the CCS/SS7 network.

"Telephone Exchange Service" means wireline exchange connections amongst LEC end users.

"Telecommunications" has the meanings given in the Act.

"Telecommunications Carrier" has the meanings given in the Act.

"Telecommunications Traffic", for the application of Reciprocal Compensation, means telecommunications traffic exchanged between a LEC and a CMRS provider that, at the beginning of the call, originates and terminates within the same Major Trading Area ("MTA"), as defined in 47 CFR Section 24.202(a).

"Termination" means the switching of Telecommunications Traffic at the terminating carrier's end office switch, or equivalent facility, and delivery of such traffic to the called party.

"Third Party Provider" shall mean any other facilities-based telecommunications carrier, including, without limitation, Interexchange Carriers, independent telephone companies, competitive local exchange carriers, or CMRS providers. The term shall not mean resellers of a LEC's local exchange services or resellers of a CMRS provider's services.

"Transit Traffic" means intermediate transport and switching of traffic between two parties, one of which is not a Party to this Agreement, carried by a Party that neither originates nor terminates that traffic on its network while acting as an intermediary.

"Transport" means the transmission of Telecommunications Traffic subject to Section 251 (b)(5) of the Act from the Point of Interconnection between ACSW and KPU to the terminating Party's end office switch that directly serves the called party, including facilities provided to a Party for transport by a third party provider.

"Trunk Group" means a set of trunks of common routing, origin and destinations, and which serve a like purpose or function.

"Trunk Side" means a Party's connection that is capable of and has been programmed to treat the circuit as connecting to another switching entity, for example another LEC (Wireline) to

CMRS/PCS (Wireless) switch. Trunk Side connections offer those transmission and signaling features appropriate for the connections of switching entities.

Article II General Terms and Conditions

1.0 Introduction

This Agreement sets forth the terms and conditions for the interconnection of the Parties' networks and for the reciprocal compensation for the transport and termination of telecommunications services between the Parties.

2.0 Effective Date

The "Effective Date" of this Agreement will be the date this Agreement is approved by the Commission in accordance with Section 252 of the Act. The Agreement does not affect, waive or otherwise modify either Party's obligations, if any, to the other regarding the exchange of traffic between the Parties prior to the effective date of this Agreement.

3.0 Intervening Law

This Agreement is entered into as a result of private negotiation between the Parties, acting pursuant to the Act, and/or other applicable state law or Commission rulings. If the actions of state or federal legislative bodies, courts, or regulatory agencies of competent jurisdiction invalidate, modify, or stay the enforcement of law or regulations that were the basis for a provision of this Agreement, the affected provision will be invalidated, modified, or stayed as required by action of the legislative body, court, or regulatory agency. In such event, the Parties shall expend diligent efforts to arrive at an agreement respecting the modifications to the Agreement required. If negotiations fail, disputes between the Parties concerning the interpretation of the actions required or provisions affected by such governmental actions will be resolved pursuant to any remedy available to the Parties under law, provided that the Parties may mutually agree to use the dispute resolution process provided for in this Agreement.

4.0 Purpose and Scope of Agreement

4.1 The Parties agree to establish and operate the Interconnection, as more specifically described in Article III, in accordance with the terms and conditions set forth in this Agreement.

4.2 KPU asserts that it is a "rural telephone company" as that term is defined in the Act. The Parties agree that this Agreement is entered into pursuant to Sections 251(a) and (b) of the Act. KPU's execution of this Agreement is not intended to constitute a waiver or limitation of any of its rights under Section 251(f)(1) or 251(f)(2) of the Act, and KPU expressly reserves its right to assert those rights in response to any request pursuant to 47 U.S.C. 251(c) by ACSW or any other carrier.

5.0 Term and Termination of Agreement

5.1 The Parties agree to interconnect pursuant to the terms defined in this Agreement for a term of two (2) years from the Effective Date of this Agreement, and thereafter the Agreement shall renew for successive six (6) month terms, unless and until terminated as provided herein.

5.2 Either Party may terminate this Agreement after the end of the initial term, or any subsequent term, by providing written notice of termination to the other Party. Such written notice shall be provided at least sixty (60) days in advance of the date of termination.

5.3 By mutual agreement, the Parties may amend this Agreement in writing to modify its terms.

5.4 Upon expiration or termination of this Agreement, if either Party desires uninterrupted service under this Agreement during negotiations of a new agreement, the requesting Party shall provide the other Party written notification at least thirty (30) days prior to the expiration or termination of the latest term of the agreement. The Parties agree that they shall commence a good faith negotiation to secure a new agreement. It is the express intention of the Parties that such an agreement shall be negotiated by the Parties and approved by the appropriate regulatory body within ten months thereafter. The Parties agree to exercise their best efforts and all reasonable and necessary diligence to secure approval of such a new agreement by the end of ten months. The Parties further agree that unless the agreement was previously terminated under Section 5.6 of this section, the services under this Agreement shall continue to be provided, without interruption and subject to all the same terms, conditions, and prices in this Agreement until a new agreement is approved by the RCA.

5.5 Should a new agreement nevertheless not be approved within the ten-month period set forth in this Agreement, the Parties agree as follows: Services under this Agreement shall continue to be provided without interruption for an additional six months, subject to all terms and conditions of this Agreement, except as they may be modified by an applicable interim order as provided herein. During this period either Party may apply to the Regulatory Commission of Alaska, the FCC, or any court of competent jurisdiction, as may be appropriate, for interim relief on an expedited basis in the form of an order extending or modifying the terms of this Agreement, pending approval of a new agreement. Should no relief have been obtained during this six-month period, and should there be no new agreement in place by that time, the Parties agree that services shall continue to be provided under this Agreement; provided, however, that any new agreement ultimately reached by the Parties shall be considered effective as of the date following the last day of the six-month period referenced in this Section 5.5.

5.6 Notwithstanding the provisions of Sections 5.4 or 5.5 above, either Party may terminate this Agreement without penalty or liability other than for amounts owed as of the date of termination, by giving the other Party written notice of its desire to terminate at least thirty (30) days prior to the intended date of termination if:

5.6.1 the other Party makes an assignment for the benefit of creditors, or files a voluntary petition under any bankruptcy, insolvency or similar laws, or proceedings are instituted under any such laws seeking appointment of a receiver, trustee or liquidator against the Party which are not terminated within sixty (60) days of such commencement;

5.6.2 the other Party makes an unauthorized assignment of this Agreement;

5.6.3 the other Party fails to perform any of its obligations under this Agreement in any material respect, and such material failure continues without remedy for a period of thirty (30) days after the non-defaulting Party gives written notice to the defaulting Party;

5.6.4 the FCC or RCA revokes, cancels, does not renew or otherwise terminates Carrier's authorization to provide CMRS in the area served by KPU, or revokes cancels, or otherwise terminates KPU's certification to provide exchange services; or

5.6.5 a Party is delinquent in the payment of any amount owing pursuant to Section 9.2 for more than ninety (90) days, and the Party does not pay such sums within ten (10) business days of the other Party's written demand for payment.

6.0 Assignment

6.1 This Agreement may not be assigned directly or by operation of law without the written consent of the non-assigning Party, which consent will not be unreasonably withheld, delayed, or conditioned, except that a Party may assign this Agreement without consent to (i) a subsidiary, parent, affiliate, division or corporation of the assigning Party, (ii) a successor corporation related to the assigning Party by merger, consolidation, non-bankruptcy reorganization, or governmental action, or (iii) a purchaser of substantially all of the assigning Party's assets. Any attempt to assign this Agreement in contravention of this Section is voidable by the non-assigning Party.

6.2 Each Party will notify the other in writing not less than sixty (60) days in advance of anticipated assignment.

7.0 Confidentiality and Proprietary Information

7.1 During the term of this Agreement, the Parties may receive or have access to information of the other Party marked (or otherwise identified) as confidential or described orally as confidential ("Confidential Information"). The term "Confidential Information" includes, without limitation, (i) any materials, trade secrets, know-how, formulas, processes, algorithms, ideas, strategies, intentions, data, network configurations, system architecture, designs, flow charts, drawings, proprietary information, business and marketing plans, financial and operational information, information on or lists of Customers and/or suppliers and all other non-public information, material or data relating to the current and/or future business and operations of the disclosing Party, and (ii) any information, material or data provided by third party vendors, contractors and other suppliers of the disclosing Party. Without limiting the foregoing, any information disclosed by the disclosing Party which is marked (or otherwise identified) to indicate its confidential nature, or if not so marked, is identified as confidential by the disclosing Party orally and is identified in writing by the disclosing Party as confidential within thirty (30) days of the disclosure thereof, is "Confidential Information."

7.2 Notwithstanding anything to the contrary herein, neither Party shall have any obligation to preserve the confidentiality of any Confidential Information which (i) prior to any disclosure was known to the receiving Party; (ii) is or becomes publicly available by other than unauthorized disclosure by the receiving Party; (iii) is developed by or on behalf of the receiving Party independent of any Confidential Information; or (iv) is received from a third party whose disclosure does not violate any confidential obligation.

7.3 During the term of the Agreement, and for a period of two (2) years after the term of the Agreement, the receiving Party shall not, without first receiving the disclosing Party's written consent, disclose to any third party, or use for any purpose other than the performance of its obligations under the Agreement, any Confidential Information. Each Party shall protect Confidential Information from being disclosed to third parties, using no less than the same means (but in any event not less than reasonable means) it uses to protect its own Confidential Information from disclosure.

7.4 In the event that the receiving Party becomes compelled by lawful process to disclose any Confidential Information, the receiving Party shall immediately provide the disclosing Party with written notice so that the disclosing Party may seek a protective order or other appropriate remedy, or both, or waive compliance with the provisions of this Agreement. ACSW acknowledges that KPU is a public entity and as such, Confidential Information in KPU's possession may be subject to public records disclosure requirements under local, state, and federal law.

7.5 Recipient may make copies of Confidential Information only as reasonably necessary to perform its obligations under this Agreement. All such copies will be subject to the same restrictions and protections as the original and will bear the same copyright and proprietary rights as are contained on the original. All Confidential Information shall remain the property of the transmitting Party and shall be returned upon written request or upon the receiving Party's determination that it no longer has a need for such Confidential Information.

7.6 Nothing contained in this Agreement and no services offered under this Agreement shall be construed as granting or conferring any rights by license or otherwise in (a) any disclosed Confidential Information or (b) under any trademark, patent (other than the limited license to use), copyright, mask work or any other intellectual property right of either Party.

8.0 Liabilities and Indemnification

8.1 Limitation of Liabilities

With respect to any claim or suit for damages arising out of mistakes, omissions, defects in transmission, interruptions, failures, delays or errors occurring in the course of furnishing any service hereunder, the liability of the Party furnishing the affected service, if any, shall not exceed an amount equivalent to the proportionate charge to the other Party for the period of that particular service during which such mistakes, omissions, defects in transmission, interruptions,

failures, delays or errors occurs and continues; provided, however, that any such mistakes, omissions, defects in transmission, interruptions, failures, delays, or errors which are caused by the negligence or willful act or omission of the complaining Party or which arise from the use of the complaining Party's facilities or equipment shall not result in the imposition of any liability whatsoever upon the Party furnishing service.

8.2 No Consequential Damages

NEITHER KPU NOR ACSW WILL BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, PUNITIVE, RELIANCE, OR SPECIAL DAMAGES SUFFERED BY SUCH OTHER PARTY (INCLUDING WITHOUT LIMITATION DAMAGES FOR HARM TO BUSINESS, LOST REVENUES, LOST SAVINGS, OR LOST PROFITS SUFFERED BY SUCH OTHER PARTY), REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, WARRANTY, STRICT LIABILITY, OR TORT, INCLUDING WITHOUT LIMITATION NEGLIGENCE OF ANY KIND WHETHER ACTIVE OR PASSIVE, AND REGARDLESS OF WHETHER THE PARTIES KNEW OF THE POSSIBILITY THAT SUCH DAMAGES COULD RESULT. EACH PARTY HEREBY RELEASES THE OTHER PARTY (AND SUCH OTHER PARTY'S SUBSIDIARIES AND AFFILIATES, AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AND AGENTS) FROM ANY SUCH CLAIMS. NOTHING CONTAINED IN THIS SECTION WILL LIMIT KPU'S OR ACSW'S LIABILITY TO THE OTHER FOR (i) WILLFUL OR INTENTIONAL MISCONDUCT (INCLUDING GROSS NEGLIGENCE); OR (ii) BODILY INJURY, DEATH, OR DAMAGE TO TANGIBLE REAL OR TANGIBLE PERSONAL PROPERTY PROXIMATELY CAUSED BY KPU'S OR ACSW'S NEGLIGENT ACT OR OMISSION OR THAT OF THEIR RESPECTIVE AGENTS, SUBCONTRACTORS OR EMPLOYEES.

8.3 Obligation to Indemnify

8.3.1 Each Party shall be indemnified and held harmless by the other Party against claims, losses, suits, demands, damages, costs, expenses, including reasonable attorneys' fees ("Claims"), asserted, suffered, or made by third parties arising from (i) any act or omission of the indemnifying Party in connection with its performance or non-performance under this Agreement; (ii) actual or alleged infringement by the indemnifying Party of any patent, trademark, copyright, service mark, trade name, trade secret or intellectual property right (now known or later developed), and (iii) provision of the indemnifying Party's services or equipment, including but not limited to claims arising from the provision of the indemnifying Party's services to its end users (e.g., claims for interruption of service, quality of service or billing disputes). Each Party shall also be indemnified and held harmless by the other Party against Claims of persons for services furnished by the indemnifying Party or by any of its subcontractors, under worker's compensation laws or similar statutes.

8.3.2 Each Party agrees to release, defend, indemnify, and hold harmless the other Party from any claims, demands or suits that assert any infringement or invasion of privacy or confidentiality of any person or persons caused or claimed to be caused, directly or indirectly, by the indemnifying Party's employees and equipment associated with the provision of any service herein. This provision includes but is not limited to suits arising from disclosure of the telephone number, address, or name associated with the telephone called or the telephone used in connection with any services herein.

8.3.3 KPU makes no warranties, express or implied, concerning ACSW's (or any third party's) rights with respect to intellectual property (including without limitation, patent, copyright and trade secret rights) or contract rights associated with ACSW's rights to interconnect with KPU's network. This Section 8.3.3 applies solely to this Agreement. Nothing in this Section will be deemed to supersede or replace any other agreements, if any, between the Parties with respect to ACSW's intellectual property or contract rights.

8.3.4 When the lines or services of other companies are used by a Party in establishing connections to and/or from points not reached by a Party's lines, neither Party shall be liable for any act or omission of such other companies.

8.4 <u>Obligation to Defend; Notice; Cooperation</u>

Whenever a claim arises for indemnification under this Section 8.4 (the "Claim"), the relevant Indemnitee, as appropriate, will promptly notify the Indemnifying Party and request the Indemnifying Party to defend the same. Failure to so notify the Indemnifying Party will not relieve the Indemnifying Party of any liability that the Indemnifying Party might have, except to the extent that such failure prejudices the Indemnifying Party's rights or ability to defend such Claim. The Indemnifying Party will have the right to defend against such Claim in which event the Indemnifying Party will give written notice to the Indemnitee of acceptance of the defense of such Claim and the identity of counsel selected by the Indemnifying Party. Except as set forth below, such notice to the relevant Indemnitee will give the Indemnifying Party full authority to defend, adjust, compromise, or settle such Claim with respect to which such notice has been given, except to the extent that any compromise or settlement might prejudice the Intellectual Property Rights or other rights of the relevant Indemnities. The Indemnifying Party will consult with the relevant Indemnitee prior to any compromise or settlement that would affect the Intellectual Property Rights or other rights of any Indemnitee, and the relevant Indemnitee will have the right to refuse such compromise or settlement and, at such Indemnitee's sole cost, to take over defense of such Claim. Provided, however, that in such event the Indemnifying Party will not be responsible for, nor will it be obligated to indemnify the relevant Indemnitee against any damages, costs, expenses, or liabilities, including without limitation, attorneys' fees, in excess of such refused compromise or settlement. With respect to any defense accepted by the Indemnifying Party, the relevant Indemnitee will be entitled to participate with the

Indemnifying Party in such defense if the Claim requests equitable relief or other relief that could affect the rights of the Indemnitee and also will be entitled to employ separate counsel for such defense at such Indemnitee's sole expense. The Indemnifying Party shall not be liable under this Section for settlement by the Indemnitee of any Claim if the Indemnifying Party has not approved the settlement in advance, unless the Indemnifying Party has had the defense of the Claim tendered to it in writing and has failed to assume such defense. In the event of such failure to assume defense, the Indemnifying Party shall be liable for any reasonable settlement made by the Indemnitee without approval of the Indemnifying Party. Each Party agrees to cooperate and to cause its employees and agents to cooperate with the other Party in the defense of any such claim.

9.0 Payment of Rates and Interest Payment Charges

9.1 The Parties agree to pay all rates and charges due and owing under this Agreement within thirty (30) days of the invoice date in immediately available funds. The Parties represent and covenant to each other that all invoices will be promptly processed and mailed in accordance with the Parties' regular procedures and billing systems.

9.2 If the payment due date falls on a Sunday or on a Holiday which is observed on a Monday, the payment due date shall be the first non-Holiday following such Sunday or Holiday. If the payment due date falls on a Saturday or on a Holiday which is observed on Tuesday, Wednesday, Thursday, or Friday, the payment due date shall be the last non-Holiday preceding such Saturday or Holiday. If payment is not received by the payment due date, an interest penalty, as set forth in 9.3 below, shall apply.

9.3 If the amount billed is received by the billing Party after the payment due date or if any portion of the payment is received by the billing Party in funds which are not immediately available to the billing Party, then a late payment charge will apply to the unpaid balance as set forth in 9.4 below.

9.4 The Parties agree that interest on overdue invoices will apply at the lesser of the highest interest rate (in decimal value) which may be levied by law for commercial transactions, compounded monthly and applied for each month or portion thereof that an outstanding balance remains, or 0.015 times the overdue amount compounded monthly and applied for each month or portion thereof that an outstanding balance remains.

10.0 Billing Disputes

10.1 Consistent with Section 10.2 of the Agreement, a Party must submit reasonable, detailed and valid billing disputes to the other Party in writing within three (3) months from the due date. Disputed amounts for services occurring greater than six (6) months prior to a notice of dispute will be considered undisputed. The Parties will endeavor to resolve all billing disputes within ninety (90) days from receipt of the billing dispute. If the Parties are unable to resolve the dispute within ninety (90) days, either Party may elect to proceed with the appropriate Formal Dispute Resolution procedures set forth in Section 11.0 below.

10.2 The Parties agree that billed amounts are to be paid when due, and that interest shall apply to all overdue amounts as set forth in the General Terms and Conditions, Section 9.4 of this Agreement. The Parties further agree that interest shall apply to (a) all disputed amounts which are tendered to the billing Party but which are resolved in favor of the disputing Party, and (b) all overdue disputed amounts which are resolved in favor of the non-disputing Party.

11.0 Dispute Resolution

11.1 General

The Parties desire to resolve disputes arising out of this Agreement without litigation. Accordingly, except for action seeking a temporary restraining order or an injunction related to the purposes of this Agreement, or suit to compel compliance with this Dispute Resolution process, the Parties agree to use this Dispute Resolution procedure with respect to any disputed matter arising out of, relating to, or in connection with this Agreement, or the breach, termination or the validity thereof.

11.2 Dispute Notice

Notice of a valid dispute must be in writing and contain information documenting the total dollar amount of the dispute, if applicable, and a detailed description of the underlying dispute (the "Dispute Notice"). The filing of a Dispute Notice triggers the Informal Negotiation resolution process.

11.3 Informal Negotiations (Managers)

Upon receipt of the Dispute Notice, the Parties agree to participate in Informal Negotiations between manager level employees or their designee, who will agree to be the Single Point of Contact (SPOC) for the Informal Negotiations. Each Party agrees to meet and negotiate in good faith to resolve any dispute arising under this Agreement. The location, form, frequency, duration, and conclusion of these discussions will be left to the discretion of the manager/representatives. Upon agreement, the representatives may, but are not obligated to, utilize other alternative dispute resolution procedures, such as mediation, to assist in the negotiations. The Informal Negotiations should precede actions by a Party under Section 11.4 (Formal Negotiations) and Section 12 (Arbitration). Once a Party institutes the Informal Negotiations procedures under this Section, the Parties shall refrain for ten (10) business days from taking any action under Section 11.4. Any discussions and correspondence among the representatives prepared for purposes of settlement are exempt from discovery and production and will not be admissible in the arbitration described below or in any lawsuit without the concurrence of both Parties. Documents identified in or provided with such communications, which are not prepared for purposes of the negotiations, are not so exempted and, if otherwise admissible, may be admitted in evidence in the arbitration or lawsuit.

The single points of contact for each Party for Dispute Resolution are as follows:

For KPU:

Van G. Abbott
Telecommunications Manager
Ketchikan Public Utilities
2930 Tongass Avenue
Ketchikan, Alaska 99901
Tel: (907) 228-5468

For ACSW:

Jill Hume
Manager, Carrier Relations
Alaska Communications Systems.
600 Telephone Avenue, MS 1
Anchorage, Alaska 99503
Tel: (907) 297-3134

11.4 Formal Negotiations (Officers)

When the Informal Negotiations procedure has failed to resolve a dispute, either Party may send a written notice to the other, describing the dispute and requesting further discussions between knowledgeable officers of their companies. These representatives shall use their reasonable best efforts to resolve the matter without litigation. If, however, there is no such resolution within thirty (30) days of the written notice under this section, either Party may initiate binding Arbitration as described below.

12.0 Arbitration

12.1 Notice for Arbitration

If the foregoing Informal and Formal Negotiations fail to resolve the Dispute, either Party may serve upon the other Party by certified mail a written demand that the Dispute be arbitrated ("Request for Arbitration"), specifying in reasonable detail the nature of the Dispute to be submitted to arbitration. The Request for Arbitration, effective upon receipt, shall be made within a reasonable time after the Dispute, has arisen. In no event shall the request for arbitration be made more than one (1) year after the underlying cause of action arises.

12.2 Selection of Arbitrator

Within five (5) business days after the receipt of the request for arbitration, the Parties shall mutually select one arbitrator with industry expertise in the subject matter of this Agreement. If the Parties fail to mutually agree to an arbitrator within ten (10) business days following the receipt of the arbitration request, either of them may request that an arbitrator be appointed by the court under the provisions of Alaska state law relating to arbitration.

12.3 Arbitration Commencement and Decision

The arbitration hearing shall commence within forty-five (45) days after the request for arbitration is made, unless otherwise agreed by the Parties in writing. The arbitrator shall rule on the dispute by issuing a written opinion within thirty

(30) days after the close of hearings or the conclusion of written briefing, whichever is later.

12.4 Venue of Arbitration and Governing Law

Disputes hereunder shall be arbitrated in Anchorage, Alaska, unless otherwise agreed to in writing by the Parties. The construction, interpretation and performance of this Agreement shall be governed by and construed in accordance with the laws of the United States, and of the State of Alaska.

12.5 Discovery

The Parties agree that any discovery conducted shall be limited in nature and produced on an expedited basis in order not to delay the conduct of the arbitration.

12.6 Arbitration Award or Decision

The Parties agree that the arbitrator shall have no power or authority to make awards or issue orders of any kind except as permitted by this Agreement and substantive law and applicable regulations, and that in no event shall the arbitrator have the authority to make any award that provides for equitable relief or for punitive or consequential damages. The arbitrator's decision shall be in writing, shall follow the plain meaning of this Agreement and the relevant documents, and shall describe the reasons for the arbitrator's decision on all relevant issues. The arbitrator's award shall be final and binding and may be enforced in any court of competent jurisdiction. Each Party shall bear its own costs and attorneys' fees associated with the arbitration, and shall share equally in the fees and expenses of the arbitrator.

12.7 Interim Equitable Relief

After initiation of Informal or Formal Dispute Resolution Procedures under Section 11, or during the initiation of arbitration or pending the outcome of arbitration under Section 12 (Arbitration), either Party may, without waiving any remedy under this agreement, seek from any Alaska court having jurisdiction any equitable relief that is necessary to protect the rights or property of that Party.

13.0 Notices

13.1 Except as otherwise specifically provided in this Agreement, all notices consents, approvals, modifications, or other communications to be given under the terms of this Agreement shall be in writing and sent postage prepaid by registered mail return receipt requested. Notice may also be effected by personal delivery or by overnight courier. All notices will be effective upon receipt.

13.2 All notices shall be directed to the following:

To KPU:

Van G. Abbott
Telecommunications Manager
Ketchikan Public Utilities
2930 Tongass Avenue
Ketchikan, Alaska 99901

Copy to:

KPU General Manager
City of Ketchikan
344 Front Street
Ketchikan, Alaska 99901

and

Heather H. Grahame, Esq.
Dorsey & Whitney, LLP
1031 West 4th Ave., Ste. #600
Anchorage, Alaska 99501

To ACSW:

Jill Hume
Manager, Carrier Relations
ACS Wireless, Inc.
600 Telephone Avenue, MS 60
Anchorage, Alaska 99503

Copy to:

Leonard Steinberg
Chief General Counsel
Alaska Communications Systems
600 Telephone Ave., MS 65
Anchorage, Alaska 99503

13.3 Either Party may unilaterally change its designated representative and/or address for the receipt of notices by giving seven (7) days' prior written notice to the other Party in compliance with this Section.

14.0 Taxes

14.1 Each Party purchasing services hereunder shall pay or otherwise be responsible for all federal, state, or local sales, use, excise, gross receipts, transaction or similar taxes, fees or surcharges (hereinafter "Tax") levied against or upon such purchasing Party (or the providing Party when such providing Party is permitted to pass along to the purchasing Party such taxes, fees or surcharges), except for

any tax on either Party's corporate existence, status or income. Whenever possible, these amounts shall be billed as a separate item on the invoice.

14.2 Purchasing Party may be exempted from certain taxes if purchasing Party provides proper documentation from the appropriate taxing authority. Failure to timely provide said tax exemption certificate will result in no exemption being available to the purchasing Party until such time as the purchasing Party presents a valid certification.

14.3 With respect to any purchase of services, facilities or other arrangements, if any Tax is required or permitted by applicable law to be collected from the purchasing Party by the providing Party, then (i) the providing Party shall bill the purchasing Party for such Tax, (ii) the purchasing Party shall remit such Tax to the providing Party and (iii) the providing Party shall remit such collected Tax to the applicable taxing authority, except as otherwise indicated below.

14.4 With respect to any purchase hereunder of services, facilities or arrangements that are resold to a third party, if any Tax is imposed by applicable law on the end user in connection with any such purchase, then (i) the purchasing Party shall be required to impose and/or collect such Tax from the end user and (ii) the purchasing Party shall remit such Tax to the applicable taxing authority. The purchasing Party agrees to indemnify and hold harmless the providing Party on an after-tax basis for any costs incurred by the providing Party as a result of actions taken by the applicable taxing authority to collect the Tax from the providing Party due to the failure of the purchasing Party to pay or collect and remit such Tax to such authority.

14.5 If the providing Party fails to collect any Tax as required herein, then, as between the providing Party and the purchasing Party, (i) the purchasing Party shall remain liable for such uncollected Tax and (ii) the providing Party shall be liable for any penalty and interest assessed with respect to such uncollected Tax by such authority. However, if the purchasing Party fails to pay any taxes properly billed and submitted to the purchasing Party, then, as between the providing Party and the purchasing Party, the purchasing Party will be solely responsible for payment of the taxes, penalty and interest.

14.6 If the purchasing Party fails to impose and/or collect any Tax from end users as required herein, then, as between the providing Party and the purchasing Party, the purchasing Party shall remain liable for such uncollected Tax and any interest and penalty assessed thereon with respect to the uncollected Tax by the applicable taxing authority. With respect to any Tax that the purchasing Party has agreed to pay or impose on and/or collect from end users, the purchasing Party agrees to indemnify and hold harmless the providing Party on an after-tax basis for any costs incurred by the providing Party as a result of actions taken by the applicable taxing authority to collect the Tax from the providing Party due to the failure of the purchasing Party to pay or collect and remit such Tax to such authority.

14.7 All notices, affidavits, exemption certificates or other communications required or permitted to be given by either Party to the other under this Section 14, will be

made in writing and will be delivered by certified mail, and sent to the addresses stated in Section 13.2.

14.8 Either Party may from time-to-time designate another address or addressee by giving notice in accordance with the terms of this Section 14.7. Any notices or other communications will be deemed to be given when received.

15.0 Force Majeure

Neither Party shall be liable for delays or failures in performance resulting from acts or occurrences beyond the reasonable control of such Party, regardless of whether such delays or failures in performance were foreseen or foreseeable as of the date of this Agreement, including the direct and indirect effects from the following, without limitation: fire, explosion, power failure, acts of God (including volcanic eruptions, earthquakes, and extreme cold temperatures), war, revolution, civil commotion, or acts of terrorism or by public enemies; or labor unrest, including, without limitation strikes, slowdowns, picketing or boycotts or delays caused by the other Party or by other service or equipment vendors; or any other similar circumstances beyond the Party's reasonable control. In such event, the Party affected shall, upon giving prompt notice to the other Party, be excused from such performance on a day-to-day basis to the extent of such interference (and the other Party shall likewise be excused from performance of its obligations on a day-for-day basis to the extent such Party's obligations relate to the performance so interfered with). The affected Party shall use its reasonable commercial efforts to avoid or remove the cause of nonperformance and both Parties shall proceed to perform with dispatch once the causes are removed or cease. Notwithstanding anything herein to the contrary if any delay or non-performance described herein exceeds thirty (30) days, the Party owed such performance, will have the right (but not the obligation) terminate this Agreement without penalty or liability other than amounts owed as of the date of termination. Such termination must be in writing.

16.0 Publicity

16.1 The Parties agree not to use in any advertising or sales promotion, press releases or other publicity matters, any endorsements, direct or indirect quotes or pictures implying endorsement by the other Party or any of its employees without such Party's prior written approval. The Parties will submit to each other for written approval, prior to publication, all such publicity endorsement matters that mention or display the other's name and/or marks or contain language from which a connection to said name and/or marks may be inferred or implied.

16.2 Neither Party will offer any services using the trademarks, service marks, trade names, brand names, logos, insignia, symbols or decorative designs of the other Party or its affiliates without the other Party's written authorization.

17.0 Amendments or Waivers

Except as otherwise provided in this Agreement, no amendment to this Agreement will be effective unless the same is in writing and signed by an authorized representative of each Party. In addition, no course of dealing or failure of a Party strictly to enforce any term, right or condition of this Agreement will be construed as a waiver of such term,

right, or condition. By entering into this Agreement, the Parties do not waive any right granted to them pursuant to the Act; and, the Parties enter into this Agreement without prejudice to any positions they have taken previously, or may take in the future in any legislative, regulatory, other public forum, contract negotiation, bona fide request, or arbitration addressing any matters, including matters related to the types of arrangements prescribed by this Agreement.

18.0 Authority

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

19.0 Binding Effect

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

20.0 Consent

Where consent, approval, or mutual agreement is required of a Party, it will not be unreasonably withheld, conditioned, or delayed.

21.0 Expenses

Except as specifically set out in this Agreement, each Party will be solely responsible for its own expenses involved in all activities, such as required industry notifications, related to the scope of this Agreement.

22.0 Headings

The headings in this Agreement are inserted for convenience and identification only and will not be considered in the interpretation of this Agreement.

23.0 Relationship of Parties

This Agreement will not establish, be interpreted as establishing, or be used by either Party to establish or to represent their relationship as any form of agency, partnership or joint venture. Neither Party will have any authority to bind the other nor to act as an agent for the other unless written authority, separate from this Agreement, is provided. Nothing in the Agreement will be construed as providing for the sharing of profits or losses arising out of the efforts of either or both of the Parties. Nothing herein will be construed as making either Party responsible or liable for the obligations and undertakings of the other Party.

24.0 Multiple Counterparts

This Agreement may be executed in multiple counterparts, each of which will be deemed an original but all of which will together constitute but one, and the same document.

25.0 Third Party Beneficiaries

Except as may be specifically set forth in this Agreement, this Agreement does not provide and will not be construed to provide third parties with any remedy, claim, liability, reimbursement, cause of action, or other privilege.

26.0 Regulatory Approval

26.1 Each Party agrees to cooperate with the other and with any regulatory agency to obtain regulatory approval of this Agreement. During the term of this Agreement, each Party agrees to continue to cooperate with each other and any regulatory agency so that the benefits of this Agreement may be achieved.

26.2 Upon execution of this Agreement, KPU shall file this Agreement with the Commission. If the Commission imposes any filing(s) or public interest notice(s) regarding the filing or approval of the Agreement, ACSW shall assume sole responsibility in making such filings or notices. Neither Party shall unreasonably withhold its cooperation in making the filings required under this Section.

26.3 Each Party will be responsible for obtaining and keeping in effect all FCC, Commission, franchise authority and other regulatory approvals that may be required in connection with the performance of its obligations under this Agreement. Each Party will reasonably cooperate with the other Party in obtaining and maintaining any required approvals necessary for fulfilling its obligations under this Agreement.

27.0 Trademarks and Trade Names

Except as specifically set out in this Agreement, nothing in this Agreement will grant, suggest, or imply any authority for one Party to use the name, trademarks, service marks, or trade names of the other for any purpose whatsoever, absent written consent of the other Party.

28.0 Audits

28.1 Subject to each Party's reasonable security requirements and except as may be otherwise specifically provided in this Agreement, either Party may audit the other Party's relevant books, records and other documents pertaining to services provided under this Agreement once in each contract year solely for the purpose of evaluating the accuracy of the other Party's billing and invoicing hereunder. The Parties may employ other persons or firms for this purpose. Such audit will take place at a time and place agreed on by the Parties no later than sixty (60) days after notice thereof.

28.2 The review will consist of an examination and verification of data involving records, systems, procedures and other information related to the services performed by either Party as related to settlement charges or payments made in connection with this Agreement as determined by either Party to be reasonably required. Each Party shall maintain reasonable records for a minimum of twelve (12) months and provide the other Party with reasonable access to such

information as is necessary to determine amounts receivable or payable under this Agreement.

28.3 Adjustments, credits, or payments shall be made and any corrective action shall commence within thirty (30) days from the Requesting Party's receipt of the final audit report to compensate for any errors or omissions which are disclosed by such audit and are agreed to by the Parties. Audit findings may be applied retroactively for no more than twelve (12) months from the date the audit began. One and one-half (1½%) of the highest interest rate allowable by law for commercial transactions shall be assessed and shall be computed by compounding monthly from the time of the overcharge, not to exceed twelve (12) months from the date the audit began, to the day of payment or credit. Any disputes concerning audit results will be resolved pursuant to the Dispute Resolution procedures described in Section 11.0 of this Agreement.

28.4 Each Party will cooperate fully in any such audit, providing reasonable access to any and all appropriate employees and books, records and other documents reasonably necessary to assess the accuracy of the Party's bills.

28.5 Audits will be scheduled subject to the reasonable requirements and limitations of the audited Party and will be conducted in a manner that will not interfere with the audited Party's business operations.

28.6 The Party requesting an audit shall fully bear its costs associated with conducting a review. The Party being reviewed will provide access to required information, as outlined in this Section, at no charge to the reviewing Party. Should the reviewing Party request information or assistance beyond that reasonably required to conduct such a review, the Party being reviewed may, at its option, decline to comply with such request or may bill actual costs incurred in complying subsequent to the concurrence of the reviewing Party. In the event of a dispute regarding an audit, the dispute will be resolved pursuant to the provisions of Section 10.

28.7 For purposes of conducting an audit pursuant to this Agreement, the Parties may employ other persons or firms for this purpose (so long as said Parties are bound by this Agreement as are the principles). The Parties will bear their own reasonable expenses associated with this inspection. Subsequent audits will be scheduled when and if cause is shown.

28.8 Information obtained or received by a Party in conducting the audits described in this Section 28.0 shall be subject to the confidentiality provisions of Section 7.0 of this Agreement.

29.0 Complete Terms

This Agreement sets forth the entire understanding and supersedes prior agreements between the Parties relating to the subject matter contained herein and merges all prior discussions between them, and neither Party shall be bound by any definition, condition, provision, representation, warranty, covenant or promise other than as expressly stated

in this Agreement or as is contemporaneously or subsequently set forth in writing and executed by a duly authorized officer or representative of the Party to be bound thereby.

30.0 Responsibility of Each Party

30.1 Each Party is an independent contractor, and has and hereby retains the right to exercise full control of and supervision over its own performance of its obligations under this Agreement and retains full control over the employment, direction, compensation and discharge of its employees assisting in the performance of such obligations. Each Party will be solely responsible for all matters relating to payment of such employees, including compliance with social security taxes, withholding taxes and all other regulations governing such matters. Each Party will be solely responsible for proper handling, storage, transport and disposal at its own expense of all (i) substances or materials that it or its contractors or agents bring to, create or assume control over at work locations or, (ii) waste resulting therefrom or otherwise generated in connection with its or its contractors' or agents' activities at the work locations. Subject to the limitations on liability and except as otherwise provided in this Agreement, each Party will be responsible for (i) its own acts and performance of all obligations imposed by applicable law in connection with its activities, legal status and property, real or personal and, (ii) the acts of its own affiliates, employees, agents and contractors during the performance of the Party's obligations hereunder.

30.2 The Parties shall jointly develop a schedule for promptly implementing all requirements of this Agreement ("Implementation Schedule"). Both KPU and ACSW shall use commercially reasonable efforts to comply with the Implementation Schedule.

31.0 Insurance

At all times during the term of this Agreement, each Party shall keep and maintain in force at its own expense all insurance required by law (e.g., workers' compensation insurance) as well as general commercial liability insurance for bodily injury and property damage, and automobile liability insurance for owned, hired, and non-owner autos, in amounts sufficient to cover the risks for which it may be liable under this Agreement. Upon request from the other Party, each Party shall provide to the other Party evidence of such insurance (which may be provided through a program of self-insurance, provided the Party has sufficient net worth and liquidity).

32.0 Governmental Compliance

The Parties agree that each will comply at its own expense with all applicable law that relates to (i) its obligations under or activities in connection with this Agreement; of (ii) its activities undertaken at, in connection with or relating to work locations. Each Party agrees to indemnify, defend, (at the other Party's request) and save harmless the other, each of its officers, directors and employees from and against any losses, damages, claims, demands, suits, liabilities, fines, penalties, and expenses (including reasonable attorneys' fees) that arise out of or result from (i) its failure or the failure of its contractors or agents to so comply or (ii) any activity, duty or status of it or its contractors or agents that triggers any legal obligation to investigate or remedy environmental contamination.

33.0 Subcontracting

If any obligation is performed through a subcontractor, each Party will remain fully responsible for the performance of this Agreement in accordance with its terms, including any obligations either Party performs through subcontractors, and each Party will be solely responsible for payments due the Party's own subcontractors. No contract, subcontract or other Agreement entered into by either Party with any third party in connection with the provision of services hereunder will provide for any indemnity, guarantee or assumption of liability by, or other obligation of, the other Party to this Agreement with respect to such arrangement, except as consented to in writing by the other Party. No subcontractor will be deemed a third party beneficiary for any purposes under this Agreement. Any subcontractor who gains access to Confidential Information covered by this Agreement will be required by the subcontracting Party to protect such Confidential Information to the same extent the subcontracting Party is required to protect the same under the terms of this Agreement.

34.0 Referenced Documents

Whenever any provision of this Agreement refers to a technical reference, technical publication, ACSW practice, KPU practice, any publication of telecommunications industry administrative or technical standards, or any other document specifically incorporated into this Agreement, it will be deemed to be a reference to the most recent version or edition (including any amendments, supplements, addenda, or successors) of each document that is in effect, and will include the most recent version or edition (including any amendments, supplements, addenda, or successors) of each document incorporated by reference in such a technical reference, technical publication, ACSW practice, KPU practice, or publication of industry standards. However, if such reference material is substantially altered in a more recent version to significantly change the obligations of either Party as of the effective date of this Agreement and the Parties are not in agreement concerning such modifications, the Parties agree to negotiate in good faith to determine how such changes will impact performance of the Parties under this Agreement, if at all. Until such time as the Parties agree, the provisions of the last accepted and unchallenged version will remain in force.

35.0 Severability

If any term, condition or provision of this Agreement is held to be invalid or unenforceable for any reason, such invalidity or unenforceability will not invalidate the entire Agreement, unless such construction would be unreasonable. The Agreement will be construed as if it did not contain the invalid or unenforceable provision or provisions, and the rights and obligations of each Party will be construed and enforced accordingly; provided, however, that in the event such invalid or unenforceable provision or provisions are essential elements of this Agreement and substantially impair the rights or obligations of either Party, the Parties will promptly negotiate a replacement provision or provisions. If impasse is reached, the Parties will resolve said impasse under the Dispute Resolution procedures set forth in Section 11.0.

36.0 Survival of Obligations

Any liabilities or obligations of a Party for acts or omissions prior to the cancellation or termination of this Agreement, any obligation of a Party under the provisions regarding indemnification, Confidential Information, limitations on liability, and any other provisions of this Agreement which, by their terms, are contemplated to survive (or to be performed after) termination of this Agreement, will survive cancellation or termination thereof.

37.0 Governing Law

The construction, interpretation, and performance of this Agreement shall be governed by and construed in accordance with the laws of the State of Alaska except for its conflicts of laws provisions. In addition, insofar as and to the extent federal law may apply, federal law will control.

38.0 Customer Inquiries

38.1 Each Party will refer all questions regarding the other Party's services or products directly to the other Party at a telephone number specified by that Party.

If to KPU:

Customer Service: (907) 228-5468

If to ACSW:

Customer Service: (907) 563-8000 or (800) 808-8083

38.2 Each Party will ensure that all of their representatives who receive inquiries regarding the other Party's services or products: (i) provide the numbers described in Section 38.1; and (ii) do not in any way disparage or discriminate against the other Party or its services or products.

39.0 Disclaimer of Warranties

EXCEPT AS OTHERWISE PROVIDED HEREIN, NEITHER PARTY MAKES ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY WARRANTY AS TO MERCHANTABILITY OR FITNESS FOR INTENDED OR PARTICULAR PURPOSE WITH RESPECT TO SERVICES PROVIDED HEREUNDER. ADDITIONALLY, NEITHER PARTY ASSUMES ANY RESPONSIBILITY WITH REGARD TO THE CORRECTNESS OF DATA OR INFORMATION SUPPLIED BY THE OTHER PARTY WHEN THIS DATA OR INFORMATION IS ACCESSED AND USED BY A THIRD PARTY.

40.0 Certifications Requirements

Both Parties warrant that they have obtained all necessary jurisdictional certifications required in those jurisdictions in which services will be ordered pursuant to this Agreement.

Article III Network Architecture

This Article describes the network architecture with which the Parties to this Agreement may interconnect their respective networks for the transmission and routing of telecommunications services. It also describes the ordering process and maintenance requirements.

1.0 Network Architecture

1.1 Interconnection Facilities

1.1.1 Interconnecting Facilities will be provided between the ACSW Point of Interconnection and the KPU switch in the KPU exchange listed in Appendix A, using Wireless Services Interconnection Type 2B or, if technically feasible, 2A facilities. Wireless Type 2B Interconnection are technically designed in Telcordia Technical Reference GR-145-Core, *Compatibility Information for Interconnection of a WSP/LEC Network,* Issue 2, May, 1998, as amended from time to time (or any successor thereto). Wireless Services Interconnection is further described in Telcordia Technologies Special Report SR-2275, Issue 4, October 2000.

1.1.2 Upon request by ACSW and mutual agreement of KPU, KPU will provision additional Interconnecting Facilities, using the type of interconnection described above, and Appendix A will be amended accordingly. A Cell Site may be used as a Point of Interconnection to the landline network if technically feasible and mutually agreed by the Parties.

1.1.3 ACSW shall provide KPU with forecasts of trunking requirements for each Point of Interconnection. The Parties agree to work cooperatively to determine the number of trunks needed to handle estimated traffic.

1.2 Network Technical Requirements, Standards, and Notices

1.2.1 The Parties will provide the services in this Agreement to each other at a standard equal in quality to that provided to itself or to any subsidiary, affiliate, or any other party to which the Party provides interconnection.

1.2.2 Nothing in this Agreement is intended to limit either Party's ability to upgrade or modify its network, including, without limitation, the incorporation of new equipment, new software or otherwise so long as such upgrades or modifications are not inconsistent with the Parties' obligations under the terms of this Agreement.

1.2.3 Each Party will be solely responsible, at its own expense for the overall design of its telecommunications services and for any redesigning or rearrangement of its telecommunications services which may be required because of the other Party's modifications, including, without limitation, changes in facilities, operations or procedures, minimum network protection criteria, or operating or maintenance characteristics of facilities. Notwithstanding the foregoing, if a Party reconfigures its own network in such a way that it changes the Parties' Point(s) of Interconnection, that

Party agrees to pay all non-recurring charges for relocating the Point(s) of Interconnection, provided, however, that each Party shall be responsible for any ancillary costs associated with the resulting reconfiguration of its network.

1.2.4 It shall be the responsibility of each Party to program and update its own switches and network systems in accordance with the Local Exchange Routing Guide ("LERG") in order to recognize and route traffic to the other Party's assigned NXX codes at all times.

2.0 Transport and Termination

This Section provides the terms and conditions for the exchange of traffic between the Parties' respective networks for the transport and termination by the Parties of Telecommunications Traffic.

2.1 Basic Terms

2.1.1 Each Party shall be responsible for the transport of traffic from its network to the other Party's network at the Point of Interconnection and for the transport and/or termination of traffic from the other Party's network from the Point of Interconnection to its own end users, or for transiting to a third party carrier as provided for in Article III, Section 2.4.

2.1.2 Unless ACSW notifies KPU in writing of its election to provision its own facilities, KPU shall provision the interconnection facilities referenced in Article III, Section 1.1.

2.1.3 The interconnecting facilities listed in Appendix A shall be used by ACSW to deliver traffic to designated NPA-NXXs in the KPU Service Area that are associated with end offices that are located within the same local exchange service area as the point of interconnection listed in Appendix A. The subject KPU Service Area NPA-NXXs are identified in the LERG.

2.1.4 The interconnecting facilities listed in Appendix A shall be used by KPU to deliver traffic to ACSW's NPA-NXXs in the Alaska MTA, where technically feasible.

2.2 Signaling

Signaling System 7 ("SS7") A-Links and Signaling Transfer Point ports are available from third party providers. The Parties will provide Common Channel Signaling ("CCS") information to each other, where available and technically feasible.

2.3 Indirect Network Interconnection

2.3.1 Indirect Traffic Terminating to ACSW. KPU will compensate ACSW at the Reciprocal Compensation rates in Article IV, Section 2.1.1 for calls that

originate on the KPU network, transit through a non-IXC third party telecommunications carrier and terminate on the ACSW network.

2.3.2 Indirect Traffic Terminating to KPU. ACSW will compensate KPU at the Reciprocal Compensation rates in Article IV, Section 2.1.1 for calls that originate on the ACSW network, transit through a non-IXC third party telecommunications carrier and terminate on the KPU network.

2.3.3 Each terminating Party remains responsible for billing the originating Party for indirect traffic terminated to its network. The Parties agree that, when using indirect network interconnection as described in this provision, they will not strip out any call identifying information from such traffic sent to transiting carriers for termination to the other Party. Indirect interconnection does not include IXC transported traffic.

2.4 Transiting

Each Party may deliver transit traffic to the other Party's network for termination to a third party carrier. The transiting Party shall be compensated for transiting such traffic, including paging traffic, at the transit traffic rate set forth in Article IV, Section 2.2. In addition, the originating Party shall assume responsibility for and hold the transiting Party harmless against any termination or reciprocal compensation charges assessed for such traffic by the third-party terminating carrier.

2.5 Third-Party-Originated Traffic

ACSW agrees that, because it is not currently interconnected with any other carrier, it will only deliver traffic via the Parties' Point(s) of Interconnection that is originated on the ACSW network, until and unless a third party requests interconnection and transiting services to KPU's network. In the event either Party, during the term of this Agreement, receives a request for interconnection from a third party carrier, which includes a request that the Party will be required to transit traffic from the third party for termination on the other Party's network, the Party receiving the request for interconnection and transiting services will advise the other Party within thirty (30) days of receiving such request for interconnection and transiting services. The Parties will thereafter meet to discuss the methods and terms for the accommodation of such third-party traffic, if any.

3.0 Ordering

Unless otherwise provided for in this Agreement, this provision shall apply for the ordering of interconnection herein. Each Party shall be responsible for ordering from the other any interconnection or other facilities as specified in this Agreement. The Parties shall mutually agree upon the format for any orders and any required codes or other information that must be included in any particular order. Orders shall be processed as follows: after the receipt of a request, a Party shall notify the ordering Party, in a timely manner and in agreement with published intervals, of any additional information it may require to determine whether it is technically feasible to meet the request. Within thirty

(30) days of its receipt of said information, the Party shall notify the ordering Party ("Notification") if the request is technically feasible. If the request is technically feasible, the Party providing the service shall use its best efforts to activate the order as mutually agreed to by the Parties after Notification (the "Activation Date").

4.0 Network Maintenance and Management

4.1 The Parties will work cooperatively to install and maintain a reliable network in order to implement this Agreement. The Parties will exchange appropriate information (e.g., maintenance contact numbers, network information, information required to comply with law enforcement and other security agencies of the Government, etc.) to achieve this desired reliability.

4.2 Each Party will provide a twenty-four (24) hour contact number for Network Traffic Management issues to the other's surveillance management center. A facsimile (FAX) number must also be provided to facilitate event notifications for planned mass calling events. Additionally, both Parties agree that they will work cooperatively to ensure that all such events will attempt to be conducted in such a manner as to avoid disruption or loss of service to other end users.

4.2.1 24-Hour Network Management Contact:

For KPU:
Contact Number: (907) 228-5468
Facsimile Number: (907) 225-1788

For ACSW:
Contact Number: (907) 564-1642
Facsimile Number: (907) 564-3200

4.3 Neither Party will use any service or facility provided under this Agreement in a manner that impairs the quality of service to either Party's Customers or to interconnecting carriers of either Party. Each Party will provide the other Party notice of any such perceived impairment at the earliest practicable time.

4.4 Neither Party's use of any of the other Party's facilities, or of its own equipment or that of a third party in conjunction with any of the other Party's facilities, shall interfere with or impair service over any facilities of the other Party, or of its affiliated companies or its connecting carriers, cause damage to their plant, impair the privacy of any communications carried over their facilities, or create hazards to any of their employees or to the public.

4.5 After written notice and thirty (30) days opportunity to cure, the Party whose facilities are being used may discontinue or refuse to provide service to the other Party if the Party using the facilities breaches Article III, Sections 4.3 or 4.4 and fails to cure such breach within the thirty (30) day cure period. Provided however, such termination of service will, where appropriate, be limited to the facility being used that is the subject of the breach.

4.6 Trouble-clearing procedures of both Parties shall include mechanisms for escalation of restoration efforts appropriate to the critical impact on the other Party's network. Both Parties agree that they will use their reasonable commercial effort to clear troubles on their networks that materially affect the other Party's Customers.

Article IV Billing, Compensation, and Charges

This Article describes the terms and conditions under which billing, compensation, and charges will be applied to the Parties under this Agreement.

1.0 Billing

1.1 Each Party shall deliver monthly invoices for terminating the other Party's traffic. Subject to the General Terms and Conditions, Sections 8.0 and 9.0, invoices rendered by either Party shall be paid within thirty (30) days of the invoice date.

1.2 For the purposes of establishing service and providing efficient and consolidated billing, both Parties are required to provide the other Party with their authorized and nationally recognized Operating Company Number (OCN).

1.3 All charges for services provided pursuant to this Agreement shall be billed within one year from the time the service was provided. Charges for services provided pursuant to this Agreement which are not billed within one year from the date of the service shall be deemed to be waived by the billing Party.

2.0 Compensation

2.1 Reciprocal Compensation

2.1.1 Rates

The Parties shall provide each other Reciprocal Compensation for the transport and termination of Telecommunications Traffic at the following conversation minute of use rates:

The Parties agree to use a Bill-and-Keep arrangement for the transport and termination of Telecommunications Traffic.

2.1.2 Exclusions

Reciprocal Compensation shall apply solely to the transport and termination of Telecommunications Traffic, and shall not apply to any other traffic or services, including without limitation:

2.1.2.1 InterMTA traffic (refer to Article IV, Section 3.2.2);

2.1.2.2 Traffic which does not originate on one Party's network and does not terminate on the other Party's network;

2.1.2.3 Paging traffic;

2.1.2.4 Intra-MTA land-originated calls from KPU exchanges that cannot be delivered to ACSW via the interconnection facilities described above in Article III, Section 1.1;

2.1.2.5 Traffic received by KPU by means of Metlakatla's one-way, Extended Area Service ("EAS"); and

2.1.2.6 Transit Traffic.

2.1.3 **Measuring Calls as Telecommunications Traffic.**

2.1.3.1 In order to determine whether traffic is Telecommunications Traffic for purposes of calculating Reciprocal Compensation, the Parties agree as follows: for KPU, the origination or termination point of a call shall be within the local service area in which interconnecting facilities exist that serve, respectively, the calling or called Party. For ACSW, the origination point of a call shall be within the reliable coverage area of the cell site sector to which the calling Party is connected at the beginning of the call. Such point must be within the Alaska MTA that the cell site sector predominantly covers. For ACSW, the termination point of a call shall be the point of connection with ACSW's network that serves the called Party at the beginning of the call.

2.1.3.2 Each Party intends to utilize measured traffic for the purposes of (a) determining reciprocal compensation and (b) apportioning shared facilities charges, unless the Parties specifically agree to a Bill and Keep billing arrangement. Where either Party or both Parties are unable to measure traffic, the Parties agree to use the most recent default percentages (as set forth in Article IV, Section 2.1.5) during the period the data is unavailable for the application of charges pursuant to this Agreement. A non-measuring Party may choose to submit invoices for reciprocal compensation based on the measuring Party's representations of Telecommunications Traffic originated by the measuring Party. Should the Parties agree to use a measured traffic formula in place of bill-and-keep, either Party may request to revise the default percentages no more than once every six (6) months thereafter, based on the previous six (6) months average of actual usage. At the written request of either Party to revise the default percentages for Shared Facilities, the default percentages will be adjusted based on the Parties' respective percentages of all intraMTA traffic (including, but not limited to, InterMTA, and transit traffic) exchanged by the Parties. Any adjustments to the default percentages that is agreed upon by the Parties or otherwise resolved pursuant to Section 10, will be effective the next billing cycle thirty (30) days after the receipt of the written request. In the event of a dispute regarding the adjustment, if any, to the factors, the dispute will be resolved pursuant to the provisions of Article II, Section 11.

2.1.4 Reciprocal Compensation Factors:

Each Party intends to utilize a Bill-and-Keep billing arrangement for Reciprocal Compensation for the termination of Telecommunications Traffic.

Mobile to Land Factor	Bill and Keep
Land to Mobile Factor	Bill and Keep

2.1.5 Shared Facilities Factors:

Mobile to Land & Transit Factor	50%
Land to Mobile Factor	50%
Total Facilities Charge	100%

2.1.6 Conversation Time

For purposes of billing compensation for the interchange of Telecommunications Traffic, billed minutes will be based upon conversation time. Conversation time will be determined from actual usage recordings. Conversation time begins when the terminating Party's network receives answer supervision and ends when the terminating Party's network receives disconnect supervision.

2.2 Compensation for Transiting Traffic

Rate for Transit Traffic

Transiting (Transport to a Third Party)	$0.006

3.0 Charges

3.1 Interest Charges

Interest Charges will be applied as specified in the General Terms and Conditions, Section 9.0.

3.2 Access Charges

3.2.1 ACSW shall pay KPU interstate charges for any and all traffic that crosses an MTA boundary (as defined by the cell site at which the call originates or terminates and the KPU end user's end office at which the call originates or terminates). If traffic is handed from KPU directly to an IXC, from ACSW to an IXC via Equal Access trunks, or from an IXC directly to KPU, access charges shall not apply to ACSW.

3.2.2 Each Party agrees to report monthly any "Misdirected Terminating Toll Access Minutes" it routed over Interconnecting Facilities to the

terminating Party in sufficient detail to allow the terminating Party to identify and bill the access minutes. Such detail shall include at a minimum the jurisdiction (interstate or intrastate interexchange), the toll carrier from which the calls came, and conversation time.

3.3 Facilities Charges

Each Party shall compensate the other for non-recurring and recurring charges on a proportionate usage basis, as set forth in Article IV, Section 2.1.5 for the use of the providing Party's facilities between the Parties' Point(s) of Interconnection and KPU's switch. The default percentages for these purposes are referred to as the Shared Facilities Factor in Article IV, Section 2.1.5.

3.3.1 Non-Recurring

ACSW shall pay non-recurring charges for the installation of wireless interconnection facilities pursuant to KPU's Local Tariff, as amended from time to time. For billing compensation purposes, ACSW may charge KPU for KPU's use of the facility pursuant to the Shared Facilities Factor in Article IV, Section 2.1.5, land to mobile traffic. ACSW shall not pay any such charges for existing facilities.

3.3.2 Recurring

ACSW shall pay monthly recurring charges for wireless interconnection facilities pursuant to KPU's Local Tariff, as amended from time to time. For billing compensation purposes, ACSW shall charge KPU for KPU's use of the facility pursuant to the Shared Facilities Factor in Article IV, Section 2.1.5, land-to-mobile traffic.

3.4 Toll Traffic

Toll charges for wireline to wireless calls will be charged at the tariffed rate to the wireline originator and at no additional cost to ACSW.

Article V Additional Services

1.0 Local Number Portability

Wireless Local Number Portability (WLNP) will be negotiated separately between KPU and ACSW.

2.0 E911

The Parties agree that 911 services at this time are provided in the service area identified in Appendix A by the City of Ketchikan, which is undertaking, during the term of this Agreement, to provide E911 services as well. KPU will route 911 and E911 voice calls received from ACSW to the City's emergency agency designated for such calls.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of this 18th day of December, 2006.

ACS WIRELESS, INC.

Anand Vadapalli
Senior Vice President, Network and IT

12/11/06
Date:

CITY OF KETCHIKAN
d/b/a KPU TELECOMMUNICATIONS

Karl R. Amylon
General Manager

12/18/06
Date:

APPENDIX A

Local Exchange Service Areas	Type of Interconnection	Point of Interconnection
Ketchikan, Alaska	Type 2B, 2-way MF	ACSW IXC point of termination at 2900 Tongass Avenue, Ketchikan, Alaska 99901 (KPU Circuit ID 111-0197)