

**BASS, BERRY & SIMS PLC**

A PROFESSIONAL LIMITED LIABILITY COMPANY  
ATTORNEYS AT LAW

T. G. PAPPAS  
TEL: (615) 742-6242  
FAX: (615) 742-6293

2700 FIRST AMERICAN CENTER  
NASHVILLE, TENNESSEE 37238-2700  
(615) 742-6200

KNOXVILLE OFFICE:  
1700 RIVERVIEW TOWER  
KNOXVILLE, TN 37901-1509  
(423) 521-6200

March 17, 1999

**HAND DELIVERED**

Mr. David K. Waddell  
Executive Secretary  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

**RE: Special Contract Concord Telephone  
Exchange and CISCO Systems**

Dear Mr. Waddell:

Enclosed please find original and thirteen (13) copies of an Agreement by and between Concord Telephone Exchange ("CTE") acting by and through its parent TDS Telecom ("TDS") and CISCO Systems ("CISCO") for the sale of and purchase of not less than 10 nor more than 57 ISDN-PRI lines (Integrated Service Digital Network Service - Primary Rate Interface) for a period of one year. This special contract is being submitted for review and approval pursuant to TRA Rule 1220-4-1-.07.

This contract was entered into as of November 1, 1998, but the customer understood that the contract would be submitted to the Tennessee Regulatory Authority ("TRA") for its approval. The contract has attached to it as Appendix A the pricing for the PRI lines and also attached thereto is a cost of service calculation showing the cost of providing the contract service per line.

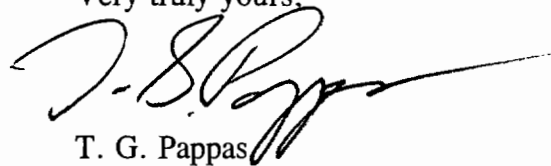
I am also enclosing a copy of a letter from Mr. John D. Feehan, Manager - External Relations of TDS Telecom to me dated March 15, 1999, explaining: (a) the arrangements with CISCO; (b) the reason for the contract; and, (c) the willingness of the Company to offer similar service to other potential customers. In this connection, Mr. Feehan advises in the letter that he has discussed this service arrangement with Mr. David Foster of the Staff of the TRA and that as a result of that conversation he has prepared and we are attaching a copy of a proposed tariff change for Concord Telephone Exchange Company, Part II, Second Revised Sheet 88, providing for Special Contract Arrangements to customers who subscribe to 10 or more ISDN-PRI Connection Channels. This tariff would be effective at the time the enclosed contract with CISCO is approved.

Mr. David K. Waddell  
Page 2  
March 17, 1999

If you have any questions concerning this request, please do not hesitate to call Mr. John Feehan at (423)671-4754 or me. I hope this matter can be placed on the TRA's next docket.

With kindest regards, I remain

Very truly yours,

A handwritten signature in black ink, appearing to read 'T. G. Pappas', with a long horizontal flourish extending to the right.

T. G. Pappas

TGP/br#2008399

Enclosures

cc: Mr. John D. Feehan

Richard Collier, Esq. w/enclosures

Mr. David Foster w/enclosures

L. Vincent Williams, Esq. w/enclosures

# ISDN PRI Agreement

This Agreement is made effective November 1, 1998 between (1) TDS Telecommunications Corporation, a Delaware Corporation, on behalf of its subsidiary, Concord Telephone Exchange, ("TDS"); and (2) CISCO Systems, Inc., a California Corporation ("Customer").

Customer is in the business of manufacturing data communications equipment, and Customer wishes to obtain ISDN PRI circuits from TDS for the purpose of testing data communications equipment.

TDS desires to provide the ISDN PRI ("PRI") circuits to Customer.

For the purposes of this agreement the term "PRI" shall refer to any switched T1 service (regardless of signaling method) within the capabilities of TDS infrastructure in this service area.

In consideration of the mutual covenants contained in this Agreement, the parties agree as follows:

## **1. Service**

TDS shall provide telecommunications service ("Service") to Customer for the purpose of testing Customer's equipment. Because of Customer's need for large-capacity service for short-duration testing, the Service shall be provided as a Special Test Assembly.

The Service shall consist of a minimum of 10 primary rate interface (PRI) circuits and a maximum of 56 PRI circuits which shall terminate at Customer's premise within TDS' Concord exchange. All Service under this Agreement shall terminate at a single point within the Concord exchange, and that point shall not change during the term of this Agreement. Any circuits ordered beyond the minimum 10 circuits shall be ordered at least ten business days prior to the installation date requested by Customer. Only the minimum of 10 circuits provided as part of the Service shall become subject to the termination liability set forth in Paragraph 2.C. below.

## **2. Pricing**

- A. Customer also shall pay TDS for the Service according to the pricing schedule listed on Appendix A. All charges for the Service shall be billed to telephone number 423-671-0273, or to such other number of Customer's that Customer shall direct in writing.
- B. TDS shall send a bill to Customer for applicable charges, such bill to be sent on a monthly basis. Customer shall pay TDS the total amount properly billed within 30 days from the effective date of the bill. Customer shall pay a late charge on the unpaid bill for bills which are not paid within the 30-day period. The rate of the late charge shall be the lesser of 1.5% per month and the maximum amount allowed by law. Customer shall pay the reasonable amount of TDS' expenses related to collection of overdue bills, such amounts to include reasonable attorney's fees.
- C. If Customer terminates this Agreement without cause (not including Customer's election not to renew this Agreement or a renewal term and not including the inability of TDS to maintain service in operation), Customer shall pay TDS a termination liability charge as listed on Appendix A. This termination liability charge is intended to be a liquidation of the damage to TDS for Customer's early termination, and not as a penalty and it shall apply only to the 10 circuits required in this Agreement.

### **3. Independent Contractors**

The parties to this Agreement are independent contractors. Neither party is an agent, representative, or partner of the other party. Neither party shall have any right, power or authority to enter into any agreement for or on behalf of, or incur any obligation or liability of, or to otherwise bind the other party. This Agreement shall not be interpreted or construed to create an association, joint venture or partnership between the parties or to impose any partnership obligation or liability upon either party.

### **4. Unenforceable Provisions**

If any portion of this Agreement shall be ruled, by a court of competent jurisdiction, to be void or unenforceable, that portion of the Agreement shall be stricken from this Agreement and the remainder of this Agreement shall be binding upon the parties and interpreted as nearly as possible to comply with the original intent of the parties. If any portion of this Agreement, whether on its face or as interpreted, constitutes an illegal practice for which TDS may be subject to civil or criminal sanctions, that portion shall be stricken from this Agreement and the remainder of this Agreement shall be binding upon the parties and interpreted as nearly as possible to comply with the original intent of the parties.

### **5. No Third Party Beneficiaries**

This Agreement shall not be construed to confer any benefits to any person or entity not a party to this Agreement, and no third party beneficiaries are intended.

### **6. Liability**

A. TDS shall not be liable for any incidental, consequential, or special damages arising from Customer's use of the Service provided under this Agreement, except for damages caused by the sole recklessness of TDS. Customer shall indemnify and defend TDS against any claims or actions arising from Customer's use of the Service provided under this Agreement.

B. TDS makes no warranties, express or implied, for any hardware, software, goods, or services provided under this Agreement. All warranties, including those of merchantability and fitness for a particular purpose, are expressly disclaimed by TDS and waived by Customer.

C. In any event, TDS' liability for all claims arising under this Agreement, or under the use of the Service provided under this Agreement, shall be limited to the amount of the charges billed to Customer for the month during which the claim arose.

### **7. Attorney's Fees and Court Costs**

If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, costs and necessary disbursements in addition to any other relief to which it may be entitled.

### **8. Term of Agreement**

A. This Agreement shall commence on the effective date stated on the first page, and shall terminate one year after the effective date. Thereafter, this Agreement shall renew automatically without notice to either party for successive one-year terms; provided, however, that this Agreement shall not renew if either party gives the other written notice of its desire not to renew, such notice to be given at least 60 days before the termination of the then current term.

B. Notwithstanding any other terms of this Agreement, either party may terminate this

31

## **10. Governing Law, Forum, Venue**

This Agreement shall be governed by and interpreted under the laws of the State of Tennessee. Disputes arising under this Agreement, or under the use of the service provided under this Agreement, shall be resolved in state or federal court in Knox County, Tennessee.

## 11. Notice

Notices, bills, and payments shall be effective when received or within 3 business days after being sent via first class mail, in the case of Customer, to:

Cisco Systems  
P. O. Box 641570  
San Jose, CA 95164-1570

and, in the case of TDS, to:

for payments      TDS TELECOM  
POB 5013  
Pequot Lakes, MN 56472-5013

for all other notices

TDS TELECOM  
Farragut Business Office  
701 Concord Road  
Knoxville, TN 37922

or, to such other location as the receiving party may direct in writing.

Cisco Systems, Inc.

By:

Systems, Inc.

Robert Sargent 20 Nov '98  
(Date)

Manager  
(Printed name and title)

TDS Telecommunications Corporation

DDS Telecommunications Corporation

Jeff R. Peterson 12/7/98  
(Date)

JEFF R. PETERSON  
(Printed name and title)

## Appendix A - Pricing

<u>Installation Fee</u>	\$500/PRI (one-time fee)
<u>Service Charges</u>	\$400/month/PRI Rounded to next whole month
<u>Technical Assistance</u>	\$125 per hr. during business hours \$187.50 per hour - other times All times rounded to next Whole hour Times include road trip travel time.
<u>Termination Liability Charges</u>	\$250/PRI/month remaining in then current term
<u>Annual adjustments</u>	
All charges listed above shall be increased by 5% per year, on the effective date of each renewal term	

**CONCORD TELEPHONE EXCHANGE, INC.**  
**PROJECT: ISDN PRI SERVICE**

**Investment:**

ISDN PRI (Per Line Equipped)	\$ 8,375
<b>Total Investment Cost</b>	<b>\$ 8,375</b>

**Direct Costs:**

Depreciation	\$ 540.19
Cost of Money	\$ 1,370.29
Income Tax	\$ 181.83
Maintenance	\$ 581.52
<b>Total Direct Costs ( Annual )</b>	<b>\$ 2,673.82</b>
<b>Total Direct Costs ( Monthly )</b>	<b>\$ 222.82</b>

**Shared Costs:**

Plant Non-Specific	\$ 258.92
Motor Vehicle	\$ 19.03
Other Work Equipment	\$ 12.86
Land & Buildings	\$ 95.07
Other Office Equipment	\$ 41.73
General Purpose Computers	\$ 129.33
<b>Total Shared Costs (Annual)</b>	<b>\$ 556.94</b>
<b>Total Shared Costs (Monthly)</b>	<b>\$ 46.41</b>

<b>Total Direct and Shared Costs ( Monthly )</b>	<b>\$ 269.23</b>
--	------------------

**Common Costs:**

Customer Operations	\$ 717.24
Corporate Operations	\$ 586.78
<b>Total Common Costs (Annual)</b>	<b>\$ 1,304.01</b>
<b>Total Common Costs (Monthly)</b>	<b>\$ 108.67</b>

<b>Total Direct, Shared &amp; Common Costs ( Monthly )</b>	<b>\$ 377.90</b>
--	------------------

# GENERAL EXCHANGE TARIFF

CONCORD TELEPHONE EXCHANGE, INC.  
Tennessee

Part II  
Second Revised Sheet 88  
Cancels First Revised Sheet 88

## INTEGRATED SERVICES DIGITAL NETWORK (ISDN) PRIMARY RATE INTERFACE (PRI)

### E. REGULATIONS AND CONDITIONS (Continued)

8. Service Establishment Charges do not apply for the establishment of the Communication Channels when the customer signs an agreement to subscribe to ISDN-PRI for a minimum of 3 years. If the customer discontinues service prior to the conclusion of the 3 year agreement, the customer will incur a disconnection charge equal to the Service Establishment Charges. The disconnection charge will not apply if the customer purchases other services from the Company which replace ISDN-PRI service.

### F. SPECIAL CONTRACT ARRANGEMENTS

Discounts are available under special contract arrangements to customers who subscribe to 10 or more ISDN-PRI Communication Channels.

(N)  
|  
(N)

ISSUED:

EFFECTIVE:

BY: G. R. Barnes, President



***Government and Regulatory Affairs***

March 15, 1999

Mr. T.G. Pappas  
Bass, Berry, & Sims  
2700 First American Center  
Nashville, TN 37238-2700

Re: Special Contract Arrangement - CISCO Systems

Dear T.G.:

Per our conversations, below is a descriptive summary of the special contract arrangement TDS would like you to file with the Tennessee Regulatory Authority (TRA) as soon as possible. I have also attached a copy of the contract along with the cost justification that supports the pricing utilized in the contract and a draft tariff page stating the existence of this arrangement. Please note that the contract was executed between TDS TELECOM on behalf of its subsidiary Concord Telephone Exchange, because the personnel caring for provisioning of the service work out of the region office of TDS TELECOM.

CISCO is a national company that manufactures and sells data equipment. The local operation tests the data equipment and therefore has the need to link this equipment together and transmit large amounts of data at high speeds. For the most part this traffic never actually leaves the exchange; it is merely routed from one piece of equipment to another. CISCO has chosen to lease space in our serving territory to expand their operations, which began as a single ISDN line in a salesperson's home. The local contact specifically chose our territory over Metro Knoxville (which has a variety of options for local service provider), because of the level of service provided in the past and TDS's commitment to satisfy their needs. This is the type of customer loyalty that TDS strives for and must maintain in order to survive.

The customer approached TDS with the need for at least 10 ISDN-PRI lines (Integrated Service Digital Network Service - Primary Rate Interface) with the probability of expanding to 30 ISDN-PRI lines in the near future. Since this was approximately 3 times more than the total amount of ISDN-PRI's installed to date at Concord Telephone, TDS endeavored to develop a discounted price for CISCO and other customers ordering circuits in this magnitude. TDS sees this service as playing a vital role in the financial well being of the Company in the future, and therefore

March 15, 1999  
Mr. T.G. Pappas  
Page 2

chose to put this under special contract to ensure the service arrangements and pricing was properly structured. As there are a number of other potential customers, TDS may choose to tariff this service offering in the future. In the interim, these same terms and conditions would be made available to any customer requesting similar service.

CISCO represents the very large and important customer that TDS must do everything in its power to keep, given the competitive environment in which it will operate in the near future.

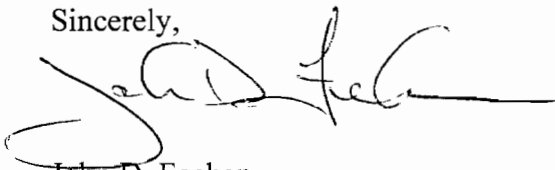
Due to its operations, CISCO requested service to be turned up fairly quickly. Therefore, service was installed upon completion of the final negotiated contract rather than waiting for the regulatory process to conclude. While it was not specifically noted in the contract, the parties understood that this arrangement was subject to regulatory approval. It should be noted that both parties agreed the terms and conditions of this contract, including language related to the termination liability, that is limited in scope to one year.

The pricing in this contract is based on a cost analysis that showed the fully allocated costs of this service to be \$377.90.

I have discussed this service arrangement with Mr. David Foster at TRA, and apprised him of the details of the arrangement as discussed in this correspondence. He suggested some language to insert in our tariff, indicating the existence of this Special Contract Arrangement. The draft of the tariff page with this language is attached. Please feel free to use this letter as part of the backup for the filing with the TRA.

Should you have any questions or need additional information, please do not hesitate to call me at (423) 671-4754.

Sincerely,

A handwritten signature in black ink, appearing to read "John D. Feehan", written over a horizontal line.

John D. Feehan  
Manager - External Relations

Enclosure