WALLER LANSDEN DORTCH & DAVIS
A PROFESSIONAL LIMITED LIABILITY COMPANY
NASHVILLE CITY CENTER
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809 SOUTH MAIN STREET
P. O. BOX 1035
COLUMBIA, TN 38402-1035
(931) 388-6031

D Billye Sanders
(615) 252-2451
bsanders@wallerlaw.com

January 11, 2000

Via Hand-Delivery

K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37219

Re: Application of Memphis Networx, LLC for a Certificate of Public Convenience and Necessity to Provide Intrastate Telecommunication Services and Joint Petition of Memphis Light Gas & Water Division, a Division of the City of Memphis, Tennessee ("MLGW") and A&L Networks-Tennessee, LLC ("A&L") for Approval for Agreement Between MLGW and A&L regarding Joint Ownership of Memphis Networx, LLC; Docket No.99-00909 – Supplemental Information

Dear Mr. Waddell:

Enclosed you will find the original and thirteen (13) copies of supplemental Exhibits L, M, N, O and P to the above referenced Application and Joint Petition. Exhibit P contains **confidential information** and is filed under seal. We respectfully request that Exhibit P be treated as confidential and not disclosed to the public.

Please contact me if you need additional information.

Sincerely,

D. Billye Sanders

D. Billye Sanders

DBS:lmb

Enclosures

cc: John Knox Walkup, Esq.
J. Maxwell Williams, Esq.
Ward Huddleston, Esq.

FILE

List of Supplemental Exhibits

Exhibit L	Certificate of qualification of A&L Networks-Tennessee, LLC ("A&L") to do business in Tennessee
Exhibit M	Agreement between MLGW and A&L regarding preliminary matters
Exhibit N	Letter from Tennessee Comptroller approving MLGW inter-division loan
Exhibit O	Letter from Tennessee Valley Authority approving MLGW inter-division loan
Exhibit P	Letter regarding A&L Equity Financing - **CONFIDENTIAL**

Secretary of State
Corporations Section
James K. Polk Building, Suite 1800
Nashville, Tennessee 37243-0306

ISSUANCE DATE: 12/14/1999
REQUEST NUMBER: 99348132

FILE/REGISTRATION DATE: 12/07/1999
STATUS: ACTIVE
CONTROL NUMBER: 0380872
JURISDICTION: KANSAS

TO:
WALLER LANSDEN DORTCH & DAVIS
511 UNION STREET

NASHVILLE, TN 37219

REQUESTED BY:
WALLER LANSDEN DORTCH & DAVIS
511 UNION STREET

NASHVILLE, TN 37219

I, RILEY C DARNELL, SECRETARY OF STATE OF THE STATE OF TENNESSEE DO HEREBY CERTIFY THAT

"A & L NETWORKS-TENNESSEE, LLC"

WAS FORMED OR QUALIFIED TO DO BUSINESS IN THE STATE OF TENNESSEE ON THE ABOVE DATE, AND THAT THE ATTACHED DOCUMENT(S) WAS/WERE FILED IN THIS OFFICE ON THE DATE(S) AS BELOW INDICATED.

REFERENCE NUMBER	DATE FILED	FILING TYPE	FILING ACTION
3776-1084	12/07/1999	LLC CERT/AUTHOR	NAM DUR STK PRN OFC AGT INC MAL FYC

FOR: REQUEST FOR COPIES

ON DATE: 12/14/99

FROM:
WALLER LANSDEN ETC (511 UNION/NASHVILLE)
SUITE 2100
511 UNION STREET
NASHVILLE, TN 37219-1760

	FEES	
RECEIVED:	$20.00	$0.00
TOTAL PAYMENT RECEIVED:		$20.00

RECEIPT NUMBER: 00002581955
ACCOUNT NUMBER: 00000832

Riley C Darnell

RILEY C. DARNELL
SECRETARY OF STATE

SS-4458

APPLICATION FOR

CERTIFICATE OF AUTHORITY

FOR

A & L NETWORKS–TENNESSEE, LLC

Pursuant to the provisions of § 48-246-301 of the Tennessee Limited Liability Company Act, the undersigned hereby applies for a certificate of authority to transact business in the State of Tennessee.

1. The name of the limited liability company is A & L Networks–Tennessee, LLC.

2. The limited liability company is organized under the law of the State of Kansas.

3. The limited liability company was organized September 24, 1999.

4. The complete street address of the principal office of the limited liability company is 201 East Loula Street, Olathe, Kansas 66061.

5. The complete street address of the registered office of the limited liability company in the State of Tennessee is 1500 Nashville City Center, 511 Union Street, Nashville, Davidson County, Tennessee 37219, and the name of its registered agent at that office is WT&C Corporate Services, Inc.

6. The limited liability company has one (1) member as of the date of filing of this application.

Dated: December 1, 1999

A & L NETWORKS–TENNESSEE, LLC

By: _____

George A. Lowe II, as Manager of
A & L Networks, LLC, Manager of
A & L Networks–Tennessee, LLC

STATE OF KANSAS

OFFICE OF
SECRETARY OF STATE
RON THORNBURGH

To all to whom these presents shall come, Greetings:

I, RON THORNBURGH, Secretary of State of the state of Kansas, do hereby certify that I am the custodian of records of the State of Kansas relating to limited liability companies and that I am the proper official to execute this certificate.

I FURTHER CERTIFY THAT

A & L NETWORKS-TENNESSEE, LLC

is a regularly and properly organized limited liability company under the laws of the State of Kansas, having filed articles of organization in Kansas on the 24th day of September, A.D. 1999 and has paid all fees and franchise taxes due this office and is in good standing according to the records now on file in the office of Secretary of State.

In testimony whereof:
I hereto set my hand and cause
to be affixed my official seal.
Done at the City of Topeka, this
12th day of November, A.D. 1999

RON THORNBURGH
SECRETARY OF STATE

AGREEMENT

THIS AGREEMENT is entered into on this 8th day of November, 1999, between MEMPHIS LIGHT, GAS & WATER DIVISION ("MLGW"), a division of the City of Memphis created by Chapter 381 of the Private Acts of 1939, amending the Charter of the City of Memphis, and A&L NETWORKS-TENNESSEE, LLC ("A&L"), a Kansas limited liability company.

WHEREAS, MLGW owns and operates municipal electric, gas and water systems in and around Shelby County, Tennessee;

WHEREAS, pursuant to Tennessee Code Annotated Section 7-52-401, *et seq.*, MLGW has the power and authority, acting through the authorization of its Board of Commissioners having responsibility for its Electric Division, to own and operate any system, plant and equipment for the provision of telephone, telegraph, and telecommunication services ("Telecom Services"), and, pursuant to Tennessee Code Annotated Section 7-52-103, MLGW has the power and authority, acting through the authorization of its Board of Commissioners having responsibility for its Electric Division, to establish a joint venture to provide Telecom Services;

WHEREAS, A&L, among other things, consults with municipal and privately-owned utilities about whether and in what manner to provide Telecom Services, and coordinates the construction and operation of telecommunication networks;

WHEREAS, MLGW and A&L desire (i) to organize a limited liability company (the "Company") in the State of Tennessee, (ii) to seek the approval of the Tennessee Regulatory Authority (the "TRA") for the Company to provide Telecom Services, and (iii) subject to obtaining the approval of the TRA, to cause the Company to provide Telecom Services;

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, MLGW and A&L agree as follows:

1. *Formation of the Company.* Within ten (10) days from the date of this Agreement, A&L and MLGW shall use their best efforts to cause to be filed with the Secretary of State of the State of Tennessee Articles of Organization for the Company in the form attached as **Exhibit A**.

2. *Operating Agreement.* Within five (5) days after the filing of the Articles of Organization, MLGW and A&L shall execute and deliver an Operating Agreement in the form attached as **Exhibit B** (the "Operating Agreement"), and, concurrently with the execution and delivery of the Operating Agreement, (i) A&L shall contribute to

the capital of the Company $467.00, and (ii) MLGW shall contribute to the capital of the Company $533.00.

3. *Regulatory Approval.* As soon as reasonably possible after A&L and MLGW execute and deliver the Operating Agreement, A&L and MLGW shall use their best efforts (i) to file with the TRA an Application and Joint Petition in form and substance reasonably satisfactory to A&L and MLGW, requesting the TRA to grant a certificate of public convenience and necessity to the Company, approve the Operating Agreement, and grant any other relief to which MLGW, A&L and the Company may be entitled, and (ii) to take other steps reasonably necessary to secure from the TRA the relief requested in the Application and Joint Petition.

4. *Prior Costs Incurred by A&L and MLGW.* As set forth in **Exhibit C,** A&L has incurred certain costs to provide consulting and other services to MLGW, and MLGW has incurred certain costs to decide whether and how to provide Telecom Services (together, the "Prior Costs"). MLGW and A&L agree to share the Prior Costs as set forth in **Exhibit C**. Concurrently with the execution and delivery of this Agreement, the party which has incurred less than its share of the Prior Costs, as reflected in **Exhibit C,** shall remit an amount equal to its remaining share of the Prior Costs to the other party in cash or by wire transfer of immediately available funds. Except as set forth in **Exhibit C,** neither party shall be obligated to reimburse the other party for any costs incurred by the other party prior to the date of this Agreement.

5. *Subsequent Costs to be Incurred by MLGW and A&L.* Between the date of this Agreement and the date that the TRA order with respect to the Application and Joint Petition becomes final and non-appealable (the "Final Order"), MLGW and A&L may incur additional costs ("Subsequent Costs") to seek and obtain the relief requested in the Application and Joint Petition. Each of MLGW and A&L shall timely pay one-half of the Subsequent Costs, and neither, without the approval of the other, will incur Subsequent Costs of more than $10,000.00 per calendar month (prorated for any partial calendar month).

6. *Capital Contributions.*

   (a) Between the date of this Agreement and the date of the Final Order, MLGW and A&L may make capital contributions to the Company ("Interim Contributions"), if and to the extent necessary to pay obligations reasonably incurred by the Company to seek the approval of the TRA. Neither party, without the approval of the other, will make Interim Contributions, and each party shall bear one-half of the Interim Contributions.

   (b) If the parties obtain a Final Order granting in all material respects the relief requested in the Application and Joint Petition, as amended, then, within seventy-five (75) days after the date of the Final Order, (i) A&L shall

contribute to the capital of the Company $4,666,200, minus an amount equal to its share of the Prior Costs, the Subsequent Costs, and the Interim Contributions, and, concurrently (ii) MLGW shall contribute to the capital of the Company $5,332,800, minus an amount equal to its share of the Prior Costs, the Subsequent Costs and the Interim Contributions. MLGW's obligation to contribute to the Company under this Section 6(b) shall be subject to the condition precedent that, on or before the date of its contribution, the Tennessee Valley Authority and the Tennessee Director of Local Finance shall have approved an inter-divisional loan of $20 million from the Electric Division of MLGW to the Telecommunication Division of the Electric Division of MLGW. A&L's obligation to contribute to the Company under this Section 6(b) shall be subject to the condition precedent that, on or before the date of its contribution, A&L shall have obtained at least $5 million of financing, in such combination of debt and equity, and on such other terms and conditions, as shall be satisfactory to A&L in its sole discretion. If either party fails to timely make its required capital contribution under this Section 6(b), then, unless otherwise agreed by the parties, this Agreement shall terminate on the expiration of seventy-five (75) days from the date of the Final Order. Effective upon such termination, each party shall be relieved of any further obligations under this Agreement, except that each party shall continue to be bound by Sections 5 (relating to the reimbursement of Subsequent Costs), 7 (relating to Intellectual Property), and 8 (relating to the reimbursement of Prior Costs, Subsequent Costs and Interim Contributions).

7. *Intellectual Property.* Through the payment of the Prior Costs, MLGW and A&L have obtained, and through the payment of the Subsequent Costs, MLGW and A&L may obtain, certain studies, reports, analyses and other information in connection with the matters contemplated by this Agreement (collectively, the "Intellectual Property"). Each party shall have an unlimited right to possess, own and use the Intellectual Property, subject to Section 8 below, and subject to the following:

(a) Except as otherwise required by law, each party shall hold the Intellectual Property in confidence, and neither party shall disclose the Intellectual Property to third parties, except that (i) either party may disclose the Intellectual Property as reasonably necessary for such party or an Affiliate of such party to provide, or to decide whether and how to provide, Telecom Services, either by itself, or in combination with third parties, and (ii) this Section 7(a) shall not limit the right of a party to disclose Intellectual Property which becomes publicly available, or which was known to the party prior to the date the Prior Costs or Subsequent Costs were incurred to develop or obtain the Intellectual Property. For purposes of this Agreement, "Affiliate" means, with respect to a party, an entity under the Control of such party, or an entity which Controls, or is under common Control with, such party. "Control" means direct or indirect

ownership of at least twenty (20%) of the voting or economic interests of an entity. In determining Control, an individual shall be deemed to own any voting and economic interests owned by such individual's spouse, ancestors and lineal descendants, or by trusts for the benefit of such individual or such individual's spouse, ancestors or lineal descendants.

(b) Between the date of this Agreement and the date the parties obtain a Final Order, neither party will use the Intellectual Property in a manner which would adversely affect the consummation of the transactions contemplated by this Agreement.

(c) Concurrently with their capital contributions under Section 6(b) above, A&L and MLGW shall grant to the Company an exclusive, perpetual, and royalty-free license to use the Intellectual Property in furtherance of its business in and near Shelby County, Tennessee, provided that the license shall terminate if, and on the date that, the Company discontinues providing Telecom Services in Shelby County, Tennessee.

8. *Reimbursement of Prior Costs, Subsequent Costs and Interim Contributions.*

(a) Each party (the "Reimbursing Party") shall reimburse the other party (the "Reimbursed Party") for its share of the Prior Costs, the Subsequent Costs and the Interim Contributions, if each of the following conditions is satisfied:

(i) The TRA issues an order authorizing the Reimbursing Party or its Affiliate to provide Telecom Services in Shelby County, Tennessee (the "Order for the Reimbursing Party").

(ii) The Order for the Reimbursing Party becomes final and non-appealable within [A] twenty-four (24) months from the date the parties obtain a Final Order denying in material respects the relief requested in the Application and Joint Petition, except that the Reimbursing Party shall not be obligated under this Section 8 if the denial of the requested relief results primarily from a material breach of this Agreement by the Reimbursed Party; or [B] thirty (30) months from the date of this Agreement, if the parties have not obtained a Final Order by the time the Order for the Reimbursing Party becomes final and non-appealable, except that the Reimbursing Party shall not be obligated under this Section 8 if the failure of the parties to obtain a Final Order results primarily from a material breach of this Agreement by the Reimbursed Party; or [C] thirty (30) months from the date of this Agreement, if, by the time the Order for the Reimbursing Party becomes final and nonappealable, the parties have obtained a Final Order granting in

material respects the relief requested in the Application and Joint Petition but have not contributed to the capital of the Company as required under Section 6(b) above, provided, however, that the Reimbursing Party shall not be obligated under this Section 8 if the Reimbursing Party tendered its capital contribution under Section 6(b) (subject only to the concurrent capital contribution of the Reimbursed Party) but the Reimbursed Party failed to make its capital contribution (whether or not the condition precedent to its contribution under Section 6(b) was satisfied).

(iii) On or before the date the TRA grants the Order for the Reimbursing Party, the TRA has not granted approval, nor is any application for approval then pending, for the Reimbursed Party, or its Affiliate, to provide Telecom Services in Shelby County, Tennessee.

(b) The Reimbursing Party shall reimburse the other party in cash within thirty (30) days after the Order for the Reimbursing Party becomes final and non-appealable, and, concurrently, the Reimbursed Party shall transfer and assign to the Reimbursing Party all rights of the Reimbursed Party to use the Intellectual Property in connection with providing, or in deciding whether and how to provide, Telecom Services in Shelby County, Tennessee.

9. *Representations and Warranties.* Each party hereby represents and warrants to the other party as follows:

(a) Such party is duly organized, validly existing and in good standing under applicable law, with full power and authority to conduct its business as it is now being conducted, to own and use the properties and assets that it purports to own and use, and to execute and deliver, and, subject to applicable law, to perform its obligations under, this Agreement.

(b) Subject to applicable law, this Agreement constitutes the legal, valid and binding obligation of such party, enforceable against such party in accordance with its terms.

(c) Neither the execution and delivery of this Agreement nor the consummation or performance of any of the transactions contemplated by this Agreement will, directly or indirectly (with or without notice or lapse of time) contravene, conflict with or result in a violation of the charter (in the case of MLGW) of such party, or any resolution adopted by its Board of Commissioners (in the case of MLGW) or its Board of Directors or Members (in the case of A&L), or (ii) contravene, conflict with or result in a violation or breach of any provision of, or give any person the right to declare a default or exercise any remedy

under, or to accelerate the maturity or performance of, or to cancel, terminate or modify, any contract or instrument to which such party is a party or by which such party is bound.

10. Limitation of Liability. The obligations of MLGW under this Agreement shall be limited to the extent required by applicable state and federal law and shall be further subject to the second sentence of Section 1 of the Wholesale Power Contract between MLGW and the Tennessee Valley Authority dated December 26, 1984 and to Paragraph 1 of the Schedule of Terms and Conditions attached to the Wholesale Power Contract (and to substantially similar anti-commingling provisions in any subsequent contract or amended contract between TVA and MLGW). Without limitation of the foregoing, A&L acknowledges that (i) MLGW's liability for any tortious acts or omissions or breaches of contract under this Agreement shall be limited to its Ownership Interest in the Company and the other resources and assets within, or allocated to, the Telecommunications Division of the Electric Division of MLGW; (ii) neither the Electric Division (except for its Telecommunications Division), the Gas Division, nor the Water Division of MLGW assumes any financial obligation under this Agreement; and (iii) neither the tax revenues nor the taxing power of the City of Memphis, Tennessee are in any way pledged or obligated under this Agreement.

11. *Miscellaneous.*

(a) This Agreement may be amended, modified or supplemented at any time by written agreement of the parties. Any failure of any party to comply with any term or provision of this Agreement may be waived by the other party at any time by an instrument in writing signed by or on behalf of such other party, but such waiver or failure to insist upon strict compliance with such term or provision shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure to comply.

(b) This Agreement shall be governed by the laws of the State of Tennessee without regard to any conflict of law principles. To the extent permitted by law, the courts of Shelby County, Tennessee shall be the exclusive forum for the litigation of any disputes under this Agreement.

(c) Except as otherwise provided in this Agreement, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

(d) This Agreement and the attached exhibits constitute the full and entire understanding and agreement among the parties with regard to its subject matter and supersede all prior written or oral agreements, understandings, representations and warranties made with respect thereto.

(e) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute but one instrument. For purposes of execution, a facsimile signature shall constitute an original.

(f) No provision of this Agreement shall be interpreted or construed against any party because that party or its legal representative drafted such provision. The titles of the sections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

(g) No waiver by any party of one or more defaults by the other party shall operate or be construed as a waiver of any future default or defaults, whether of a like

or difference nature. No failure or delay on the part of any party in exercising any right, power or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof of the exercise of any other right, power or remedy.

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed as of the date first set forth above.

MEMPHIS LIGHT, GAS & WATER DIVISION

By: _____

A&L NETWORKS-TENNESSEE, LLC

By: _____
George A. Lowe II, Manager

ARTICLES OF ORGANIZATION

OF

Memphis Networx, LLC

Pursuant to the provisions of Section 48-205-101 of the Tennessee Limited Liability Company Act, the undersigned natural person, having the capacity to contact, executes and submits these Articles of Organization for the purposes of forming a limited liability company under the laws of the State of Tennessee to be known as Memphis Networx, LLC (the "Company")":

1. The name of the limited liability company is:

   Memphis Networx, LLC

2. The street address of the Company's initial registered office and the name of the initial registered agent in the State of Tennessee is:

   WT&C Corporate Services, Inc.
   1500 Nashville City Center
   511 Union Street
   Nashville, Davidson County, Tennessee 37219-1750

3. The street address of the principal executive offices of the Company is:

   7555 Appling Center Drive
   Memphis, Tennessee 38133-5069

4. There were two (2) Members of the Company as of the date of the filing of these Articles

5. The initial Members admitted to the Company are A&L Networks-Tennessee, LLC and Memphis Light, Gas, and Water Division, a division of the City of Memphis, Tennessee.

Exhibit A

6. The name and address of the organizer of the Company is:

John Knox Walkup
WYATT, TARRANT & COMBS
1500 Nashville City Center
511 Union Street
Nashville, Davidson County, Tennessee 37219-1750

7. The Company will be board managed.

8. All deeds, mortgages, bonds, contracts or other instruments must be signed by the Chief Manager or by any other Manager with the approval of the Members to be binding upon the Company.

9. The Secretary may certify the identity of each of the Company's Managers, Governors, and Members and may provide certified copies or extracts of resolutions adopted from time to time by the Company's Board of Governors or its Members. All persons shall be entitled to rely upon the contents of such certificates and no person shall have any duty to inquire into whether the contents of any such certificate is valid.

10. The transfer or assignment of a Member's Interest may be limited or restricted by the Company's Operating Agreement or an agreement among the Members.

11. The Operating Agreement may specify that none or less than all of the events listed in Section 48-245-101(a)(5)(A)-(K) of the Act shall constitute Dissolution Events.

12. Initially, the sole business purpose of the Company shall be to do or cause to be done such acts or things as reasonably necessary to seek and obtain regulatory approval for the Company to provide the services authorized by Tennessee Code Annotated Sections 7-52-401, *et seq.* Subject to obtaining, and only to the extent permitted by, the necessary regulatory approvals, the business of the company shall be to (i) provide the services authorized by Tennessee Code Annotated Sections 7-52-401, *et seq.*, (ii) acquire, construct, own, improve, operate, lease, maintain, sell, mortgage, pledge, and otherwise deal and trade in, any related system, plant, equipment or other property, and (iii) exercise all rights and powers and engage in all activities related to the foregoing and legally permissible under the Act.

13. To the fullest extent provided under the Act, no Member, Governor, Manager, or agent of the Company shall have any personal responsibility or liability for the obligations or acts of the Company or any other Member, Governor, Manager or agent of the Company.

14. The Company shall have all of the powers available to it under the Tennessee Limited Liability Company Act.

15. All terms as used in these Articles shall have the meanings provided in the Operating Agreement.

IN WITNESS WHEREOF, these Articles of Organization have been executed on this ___ day of _____, 1999.

By: _____
John Knox Walkup, Organizer

OPERATING AGREEMENT

OF

[NAME], LLC

A TENNESSEE LIMITED LIABILITY COMPANY

Exhibit B

THIS OPERATING AGREEMENT of [NAME], LLC (the "Company"), a limited liability company organized under the Tennessee Limited Liability Company Act, is hereby adopted and approved on this ____ day of _____, 1999, by the undersigned Members of the Company, who agree as follows:

ARTICLE 1
DEFINITIONS

In addition to terms defined elsewhere in this Operating Agreement, the following terms used in this Operating Agreement shall have the following meanings:

1.1. "A&L" means A&L Networks-Tennessee, LLC, a Kansas limited liability company.

1.2. "A&L Governors" means the two Governors elected by A&L.

1.3. "Act" means the Tennessee Limited Liability Company Act, Tennessee Code Annotated, Title 48, Chapters 201-248, as amended from time to time.

1.4. "Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such Person.

1.5. "Approval Date" means the first date by which the Company and its Members have obtained, in form and substance reasonably satisfactory to the Members, all orders, certificates of public convenience and necessity and other regulatory approvals necessary for the Company to provide the services authorized by Tennessee Code Annotated Sections 7-52-401, *et seq.* in the State of Tennessee.

1.6. "Articles of Organization" means the Company's Articles of Organization, as amended from time to time.

1.7. "Board" means the Company's board of governors.

1.8. "Capital Account" means, with respect to any Equity Owner, the account maintained by the Company in accordance with Section 9.2.

1.9. "Capital Contribution" means any contribution to the capital of the Company in cash or property by an Equity Owner, whenever made.

1.10. "Code" means the Internal Revenue Code of 1986, as amended from time to time.

1.11. "Controlled Subsidiary" means, as to any Person, any other Person of which the first Person beneficially owns (directly or indirectly) securities entitling the holder to cast 50% or more of the votes in the election or removal of directors (or persons holding similar positions) of the second Person.

1.12. "Deficit Capital Account" means with respect to any Equity Owner, the deficit balance, if any, in such Equity Owner's Capital Account as of the end of the Fiscal Year, after giving effect to the following adjustments:

(a) credit to such Capital Account any amount which such Equity Owner is obligated to restore under Section 1.704-1(b)(2)(ii)(c) of the Treasury Regulations, as well as any addition thereto pursuant to the next to last sentence of Sections 1.704-2(g)(1) and (i)(5) of the Treasury Regulations, after taking into account thereunder any changes during such year in partnership minimum gain (as determined in accordance with Section 1.704-2(d) of the Treasury Regulations) and in the minimum gain attributable to any partner nonrecourse debt (as determined under Section 1.704-2(i)(3) of the Treasury Regulations); and

(b) debit to such Capital Account the items described in Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6) of the Treasury Regulations.

This definition of Deficit Capital Account is intended to comply with Sections 1.704-1(b)(2)(ii)(d) and 1.704-2 of the Treasury Regulations, and will be interpreted consistently with those provisions.

1.13. "Depreciation" means, for each Fiscal Year, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable with respect to an asset for such Fiscal Year, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such Fiscal Year, Depreciation shall be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such Fiscal Year bears to such beginning adjusted tax basis; provided, however, that if the adjusted basis for federal income tax purposes of an asset at the beginning of such Fiscal Year is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the chief manager.

1.14. "Economic Interest Owner" means the owner of Financial Rights who is not a Member.

1.15. "Entity" means any general partnership, limited partnership, limited liability company, corporation, joint venture, trust, business trust, cooperative or association or any foreign trust or foreign business organization, and also includes local, municipal, state, United States, and foreign governments.

1.16. "Equity Owner" means an Economic Interest Owner or a Member.

1.17. "Extraordinary Net Losses" means Net Losses from (i) the sale or other disposition of all or substantially all of the assets of the Company, or of the assets of any line of business of the Company, or (ii) the liquidation and dissolution of the Company (including, without limitation, any Net Losses from adjusting the Gross Asset Values of the Company's assets).

1.18. "Extraordinary Net Profits" means Net Profits from (i) the sale or other disposition of all or substantially all of the assets of the Company, or of the assets of any line of business of the Company, or (ii) the liquidation and dissolution of the Company (including, without limitation, any Net Profits from adjusting the Gross Asset Values of the Company's assets).

1.19. "Financial Rights" means an Equity Owner's rights as provided in the Act to share in profits and losses, to share in distributions, to receive interim distributions, and to receive liquidation distributions.

1.20. "Fiscal Year" means the Company's fiscal year, which shall be the calendar year.

1.21. "Governance Rights" means a right to vote on one or more matters and all of a Member's rights as a Member in the Company other than Financial Rights and the right to assign Financial Rights.

1.22. "Governor" means a natural person serving on the Board.

1.23. "Gross Asset Value" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

(a) The initial Gross Asset Value of any asset contributed by an Equity Owner shall be the gross fair market value of such asset, as determined by the Members.

(b) The Gross Asset Values of all Company assets shall be adjusted to equal their respective gross fair market values, as reasonably determined by the Members as of the following times: (a) the acquisition of an additional interest by any new or existing Equity Owner; (b) the distribution by the Company to an Equity Owner of more than a *de minimis* amount of property as consideration for an Ownership Interest; and (c) the liquidation of the Company within the meaning of Section 1.704-1(b)(2)(ii)(g) of the Treasury Regulations; provided, however, that adjustments pursuant to clause (a) above and this clause (b) shall be made only if the Members reasonably determine that such adjustments are necessary or appropriate to reflect the relative economic interests of the Equity Owners in the Company;

(c) The Gross Asset Value of any Company asset distributed to any Equity Owner shall be adjusted to equal the gross fair market value of such asset on the date of distribution as determined by the distributee and the Members; and

(d) The Gross Asset Values of Company assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Regulation Section 1.704-1(b)(2)(iv)(m) and Section 9.2 and subparagraph (d) under the definition of Net Profits and Net Losses; provided, however, that Gross Asset Values shall not be adjusted pursuant to this definition to the extent the Members determine that an adjustment pursuant to subparagraph (b) of this definition is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this subparagraph (d).

If the Gross Asset Value of an asset has been determined or adjusted pursuant to subparagraphs (a), (b) or (d) of this definition, then such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Net Profits and Net Losses.

1.24. "Member" means a person who owns some Governance Rights of a Membership Interest, as reflected in the Company's records.

1.25. "Membership Interest" means a Member's interest in the Company consisting of the Member's Financial Rights, the Member's right to assign Financial Rights, the Member's Governance Rights, and the Member's right to assign Governance Rights. If a Member has assigned some or all of its Financial Rights, then, with respect to that Member, "Membership Interest" means the Member's Governance Rights, the Member's right to assign Governance Rights, any remaining Financial rights of the Member, and the Member's right to assign any remaining Financial Rights.

1.26. "MLGW" means Memphis Light, Gas, and Water Division, a division of the City of Memphis, Tennessee.

1.27. "MLGW Governors" means the two Governors elected by MLGW.

1.28. "Net Profits" and "Net Losses" means for each Fiscal Year of the Company an amount equal to the Company's net taxable income or loss for such year as determined for federal income tax purposes (including separately stated items) in accordance with the accounting method and rules used by the Company and in accordance with Section 703 of the Code with the following adjustments:

(a) Any items of income, gain, loss and deduction allocated to Equity Owners pursuant to Section 10.3 or Section 10.8 shall not be taken into account in computing Net Profits or Net Losses;

(b) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Net Profits and Net Losses (pursuant to this definition) shall be added to such taxable income or loss;

(c) Any expenditure of the Company described in Section 705(a)(2)(B) of the Code and not otherwise taken into account in computing Net Profits and Net Losses (pursuant to this definition) shall be subtracted from such taxable income or loss;

(d) In the event the Gross Asset Value of any Company asset is adjusted pursuant to clause (b) or (c) of the definition of Gross Asset Value, the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Net Profits and Net Losses;

(e) Gain or loss resulting from any disposition of any Company asset with respect to which gain or loss is recognized for federal income tax purposes shall be computed with reference to the Gross Asset Value of the asset disposed of, notwithstanding that the adjusted tax basis of such asset differs from its Gross Asset Value;

(f) In lieu of the depreciation, amortization and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Fiscal Year; and

(g) To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Section 734(b) of the Code or Section 743(b) of the Code is required pursuant to Section 1.704-1(b)(2)(iv)(m)(4) of the Treasury Regulations to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Ownership Interest, the amount of such adjustment shall be treated as an item of gain (if the adjustment decreases the basis of the asset) from the disposition of the asset and shall be taken into account for purposes of computing Net Profits or Net Losses.

1.29. "Operating Agreement" means this Operating Agreement as originally executed and as amended from time to time.

1.30. "Operating Net Losses" means all Net Losses other than Extraordinary Net Losses.

1.31. "Operating Net Profits" means all Net Profits other than Extraordinary Net Profits.

1.32. "Ownership Interest" means, in the case of a Member, the Member's Membership Interest, and, in the case of an Economic Interest Owner, the Economic Interest Owner's Financial Rights.

1.33. "Person" means any individual or Entity, and the heirs, executors, administrators, legal representatives, successors, and assigns of such "Person," where the context so permits.

1.34. "Sharing Ratio" means:

Members	Sharing Ratio
MLGW	53%
A&L	47%

1.35. "Treasury Regulations" shall include proposed, temporary and final regulations promulgated under the Code in effect as of the date of filing the Articles and the corresponding sections of any regulations subsequently issued that amend or supersede such regulations.

1.36. "Voting Interest" means:

Member	Voting Interest
MLGW	50%
A&L	50%

ARTICLE 2
ORGANIZATION

2.1. Formation. The Company was formed on [_____], 1999, by the filing of the Articles with the Tennessee Secretary of State.

2.2. Principal Executive Office. The Company's principal executive office is located at [street address and zip code], Shelby County, Tennessee. At any time the Board may change the Company's principal executive office to another location within Shelby County, Tennessee.

2.3. Registered Office and Registered Agent. The Articles set forth the street address and zip code of the Company's initial registered office in Tennessee, the county in which the office is located, and the name of its initial registered agent at that address. At any time the Board may change the Company's registered office or its registered agent in Tennessee.

2.4. Term. The term of the Company shall commence as of the effective date set forth in Section 2.1 and continue until the Company is wound up and liquidated.

2.5. Business.

(a) Initially, the sole business purpose of the Company shall be to do or cause to be done such acts or things as reasonably necessary to seek and obtain regulatory approval for the Company to provide the services authorized by Tennessee Code Annotated Sections 7-52-401, *et seq.*

(b) Subject to obtaining, and only to the extent permitted by, the necessary regulatory approvals, the business of the Company shall be to (i) provide the services authorized by Tennessee Code Annotated Sections 7-52-401, *et seq.*, (ii) acquire, construct, own, improve, operate, lease, maintain, sell, mortgage, pledge, and otherwise deal and trade in, any related system, plant, equipment or other property, and (iii) exercise all rights and powers and engage in all activities related to the foregoing and legally permissible under the Act.

(c) In furtherance of its business, and not by way of limitation, the Company intends (i) within two years from the Approval Date, to install telecommunication fibers at certain locations in and near St. Jude Hospital and the housing developments known as Jefferson Square, R.Q. Venson and Barry Holmes, and (ii) in Fiscal Years the Company has Net Operating Profits, to commit 1% of its Net Operating Profits (not to exceed $1 million per Fiscal Year) to the development and enhancement of telecommunication services in the low-income areas of Shelby County, Tennessee.

ARTICLE 3
MEMBERS AND MEMBERSHIP INTERESTS

3.1. Initial Members. The initial Members of the Company shall be MLGW and A&L.

3.2. Nature of Membership Interest. A Membership Interest is personal property. No Member has an interest in specific property of the Company. All property transferred to or acquired by the Company is property of the Company itself.

3.3. Additional Members. Except as provided in Article 11, the Company shall not admit additional Members without the consent of all the Members.

3.4. Community Participation. To the extent permitted by law, MLGW and A&L each shall negotiate in good faith to sell a portion of its Financial Rights to one or more Minority Businesses (as defined below), in a single sale or in multiple sales, provided: (i) each Minority Business shall submit a bona fide purchase proposal to A&L and MLGW, (ii) the sale or sales shall be closed within four (4) years from the Approval Date, (iii) the Minority Business or Minority Businesses shall not purchase, in the aggregate, more than 7.1% of A&L's Financial

Rights and 12.6% of MLGW's Financial Rights, and each purchase of Financial Rights from A&L and MLGW, respectively, shall be in the ratio as 7.1% from A&L and 12.6% from MLGW, (iv) the purchase price in each sale shall be determined by an independent appraisal and shall be payable in cash at the closing, two-thirds to MLGW and one-third to A&L. For purposes of this Section 3.4, the term "Minority Business" means a corporation, partnership, limited liability company or other entity, provided at least fifty-one percent (51%) of the governance and economic rights of the entity are owned by an individual who personally manages and controls the daily operations of the entity and who is impeded from normal entry into the economic mainstream because of race, religion, sex, or national origin.

ARTICLE 4
MEETINGS OF MEMBERS

4.1. Annual Meeting. Beginning in the year 2000, the annual meeting of the Members shall be held at 10:00 a.m. on the second Tuesday of August of each year, or if the second Tuesday of August falls on a legal holiday, then at the same hour on the first succeeding business day, for the purpose of electing Governors and transacting such other business as may properly come before the meeting.

4.2. Special Meetings. Special meetings of the Members may be called at any time by any one (1) or more of the following persons: (i) any Member, (ii) the Board, or (iii) the chief manager. A person who has authority to call a meeting may call the meeting by giving written notice of demand to the Members in accordance with the Act, or by giving written notice of demand to the secretary of the Company, who shall give such notice to the Members in accordance with the Act, at the expense of the Company, within seven (7) days after receipt of the demand. If the secretary fails to cause a meeting to be called and held as properly demanded, the person making the demand may call the meeting by giving notice as required by the Act, all at the expense of the Company. In any case, the notice of a meeting of Members must be given no fewer than ten (10) days nor more than two (2) months before the meeting date.

4.3. Time and Place of Meetings. Meetings must be held on the date and at the time and place fixed by the person properly calling the meeting. Unless otherwise approved by the Members, all called meetings must be held in Shelby County, Tennessee. A meeting by electronic conference will be deemed to be held at the principal executive office or registered office of the Company, if required by the Act, or at the place properly named in the notice calling the meeting.

4.4. Record Date. Unless otherwise fixed by the Board, the record date for the determination of the owners of Membership Interests entitled to notice of and to vote at any meeting of Members shall be the close of business on the date before the first notice is sent to the Members.

4.5. Notice.

(a) Except as otherwise provided in the Act or in the Articles, written notice of all meetings of Members must be given to every member entitled to vote on the matters to be considered, unless (i) the meeting is an adjourned meeting and the date, time, and place of the meeting were announced at the time of adjournment; or (ii) the following have been mailed by first class, certified mail to the Member at the address in the Company's records and returned undeliverable: (A) two (2) consecutive meeting notices, and (B) all payments of distributions for the greater of a twelve-month period or two (2) distributions. The notice must contain the date, time, and place of the meeting, and any other information required by the Act. In the case of a special meeting, the notice must contain a statement of the purposes of the meeting. The notice may also contain any other information required by the Articles or this Operating Agreement or considered necessary or desirable by the person or persons calling the meeting.

(b) A Member may waive any required notice of the meeting. Except as otherwise provided in the Act, a waiver of notice is effective, whether given before or after the meeting or other balloting, if such waiver is given in writing. If a written waiver is given, the secretary shall place such written waiver in the records of the Company. Attendance by a Member at a meeting is a waiver of notice of that meeting, except where the Member objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened, or objects before a vote on an item of business because the item may not lawfully be considered at that meeting and does not participate in the consideration of the item at the meeting. The secretary is required to note the objection in the minutes of the meeting.

(c) Notice may be delivered in person; by facsimile, telegraph, teletype, or other form of wire or wireless communication; or by mail or private carrier. Written notice to the Members is effective when mailed, if mailed postpaid and correctly addressed to the Member's address shown in the Company's current record of Members. Otherwise, written notice is effective when received.

4.6. Proxies. At all meetings of Members, a Member may vote in person or by a proxy executed in writing by the Member or the Member's duly authorized attorney-in-fact. The proxy shall be filed with the secretary of the Company before or at the time of the meeting. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

4.7. Quorum. The Members holding all of the Voting Interests shall constitute a quorum for the transaction of business. Once a Membership Interest is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that adjourned meeting. In the absence of a quorum at any such meeting, a majority of the Voting

Interests represented may adjourn the meeting from time to time for a period not to exceed thirty (30) days without further notice. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Member of record entitled to vote at the meeting. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed.

4.8. Manner of Acting. The affirmative vote of Members holding all of the Voting Interests shall be the act of the Members, unless the vote of a lesser proportion or number is otherwise required by the Act, the Articles, or this Operating Agreement.

4.9. Conference Meeting. A conference among Members by any means of communication through which the participants may simultaneously hear each other during the conference constitutes attendance at the meeting in person or by proxy if all the other requirements for a meeting are met.

4.10. Action on Written Consent. Any action required or permitted to be taken at a meeting of the Members may be taken without a meeting by action on written consent. Any action on written consent has the effect of a meeting and vote and may be described as such in any document. To take action on written consent, a written waiver of acting at a meeting and a written consent must be signed by all Members. The action must be evidenced by one (1) or more instruments evidencing the waiver and consent, which shall be delivered to the secretary for inclusion in the records of the Company. All such instruments may be signed in counterparts. If not otherwise determined under Section 4.5 above, the record date for determining Members entitled to take action without a meeting is the date the first Member signs the consent. The action on written consent is effective when the last required Member signs the waiver and written consent, unless a different effective time is provided in the instrument evidencing the written consent itself.

4.11. No Action on Recommendation of the Board or Chief Manager. Action on recommendation of the Board or chief manager under Section 48-223-103 of the Act is prohibited.

4.12. Authorized Representatives. Each Member shall cause an officer, employee or other representative of the Member to be duly authorized and empowered to act on behalf of the Member with respect to the Company. The MLGW representative shall be the President of MLGW, and in the event of a vacancy in this position, such interim appointments as MLGW may make from time to time.

ARTICLE 5
BOARD OF GOVERNORS

5.1. Management. Except as otherwise required in this Agreement or by applicable law, all powers shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed by or under the direction of, the Board. Each Governor shall have equal voting power per capita with each other Governor.

5.2. Number. The number of Governors shall be five (5), and the number shall not be changed without the consent of all the Members.

5.3. Election and Qualifications. Effective as of the date of this Operating Agreement, the initial MLGW Governors shall be Herman Morris and John McCullough, the initial A&L Governors shall be George A. Lowe, II and Edward Powell, and the initial Fifth Governor shall be J. Maxwell Williams. At each annual meeting of Members, (i) MLGW shall elect two Governors (the "MLGW Governors"), (ii) A&L shall elect two (2) Governors (the "A&L Governors"), and (iii) MLGW and A&L, alternately, shall elect the fifth Governor (the "Fifth Governor"), beginning with the annual meeting of Members to be held in [October] 2000, when A&L shall elect the Fifth Governor. Each Governor elected by MLGW shall be either the President, the Secretary/Treasurer or the General Counsel of MLGW, or, if one or more of these offices become vacant, preventing MLGW from electing as a Governor an individual who is serving in one of these three officer positions, MLGW may elect such other individual or individuals as it chooses. Each Governor shall serve until the next annual meeting of the Members and until the Governor's successor is elected and qualified, or until the earlier death, resignation, removal or disqualification of the Governor, except that in no event shall the term of the Fifth Governor extend beyond the next annual meeting of the Members.

5.4. Resignation, Removal and Vacancies. A Governor may resign at any time by giving a written resignation to the secretary or chief manager of the Company. The resignation is effective without acceptance when it is actually received by the secretary or chief manager, unless a later effective time is specified in the resignation. MLGW, and only MLGW, may remove one or both MLGW Governors at any time, and the removal may be with or without cause. A&L, and only A&L, may remove one or both A&L Governors at any time, and the removal may be with or without cause. The Member electing the Fifth Governor, and only that Member, may remove the Fifth Governor at any time, and the removal may be with or without cause. A Governor may be removed by MLGW or A&L, whichever is applicable, only at a meeting called for the purpose of removing the Governor, and the meeting notice must state that the purpose, or one (1) of the purposes, of the meeting is to remove one (1) or more Governors. If a vacancy occurs on the Board, it may be filled only at a meeting of the Members by the Member who elected the Governor whose position has been vacated.

5.5. Committees. A resolution approved by the affirmative vote of a majority of the Board may establish committees having the authority of the Board in the management of the

business of the Company to the extent provided in the resolution, including special litigation committees to consider legal rights or remedies of the Company and whether those rights and remedies should be pursued. Committees other than special litigation committees are subject at all times to the direction and control and serve at the pleasure of the Board. Each member of a committee shall be a member of the Board. Each committee shall have two Governors, one a MLGW Governor, and the other an A&L Governor. Minutes, if any, of committee meetings must be made available upon request to members of the committee and to any Governor. Unless otherwise authorized by all of the Governors, the only authority of any committee shall be to make recommendations to the Board. In no event, however, shall a committee (i) authorize distributions, except according to a formula or method prescribed by the Board; (ii) approve or propose to Members actions requiring approval by Members; (iii) fill vacancies on the Board or on any of its committees; (iv) adopt a plan of merger not requiring Member approval; (v) authorize or approve reacquisition of a Membership Interest, except according to a formula or method prescribed by the Board; or (vi) authorize or approve the issuance or sale or contract for the sale of a Membership Interest, or determine the designation and relative rights, preferences, and limitations of a class or series of Membership Interests.

5.6. Restrictions on Authority of the Board. Notwithstanding the provisions of Section 5.1, the affirmative vote of all the Members shall be necessary to effect any of the following actions:

(a) Any act in contravention of this Operating Agreement;

(b) Any merger, consolidation, acquisition or joint venture, partnership, or business combination of the Company or any Controlled Subsidiary of the Company with or into any other Person;

(c) Any sale, lease, assignment or other disposition by the Company or any Controlled Subsidiary of the Company, in any single transaction or series of related transactions, (i) of all or substantially all of its assets, or (ii) of a capital asset having a value of $1 million or more at the time of its sale or other disposition, or (iii) that is not in the ordinary course of business;

(d) Any transaction involving or consisting of a voluntary pledge of, mortgage of, grant of a security interest in, or other encumbrance in the nature of a pledge or mortgage of, any assets of the Company or any Controlled Subsidiary of the Company;

(e) Any transaction pursuant to which the Company or any Controlled Subsidiary of the Company incurs, assumes, or otherwise becomes liable for any obligations (i) for borrowed money; (ii) evidenced by bonds, debentures, notes or other similar instruments; (iii) for the deferred purchase price for goods or services (other than trade payables or accruals incurred in the ordinary course of business); (iv) under leases required by generally accepted accounting principles to be treated as financing leases; or

(v) in the nature of guarantees of obligations described in clauses (i) through (iv) above of any other Person;

(f) Commencement of any voluntary proceeding in respect of the Company or any Controlled Subsidiary of the Company seeking liquidation, reorganization, dissolution or bankruptcy;

(g) Entry by the Company or any Controlled Subsidiary of the Company into any contract or transaction with, or for the benefit of, any Member or any Affiliate of a Member;

(h) Entry by the Company or any Controlled Subsidiary of the Company into any material agreement, or related series of agreements that in the aggregate are material, including agreements to make capital expenditures, under which the aggregate amount of payments expected to be made by the Company, divided by the number of years over which the payments are expected to be made is greater than $5,000,000;

(i) Any amendment to the Articles or this Operating Agreement;

(j) Any change in the number of Governors of the Board;

(k) Entry into, or conduct of, any business or line of business other than those described in Section 2.5;

(l) Any material change in any accounting, tax or legal compliance policy of the Company or any Controlled Subsidiary of the Company, unless required in the good faith opinion of the Board by changes in law, regulation or accounting conventions or principles;

(m) Any issuance or redemption of Membership Interests, or any requirement of additional capital contributions from the Members;

(n) Confession of a judgment against the Company; or

(o) Liquidation or dissolution of the Company.

ARTICLE 6
MEETINGS OF THE BOARD OF GOVERNORS

6.1. Time of Meetings. An annual meeting of the Board shall be held immediately after the annual meeting of the Members, except that if a quorum of the Board cannot then be assembled, the meeting shall be adjourned until a quorum is present, but in no event later than thirty (30) days after the annual meeting of Members. Regular meetings of the Board may be

held at such times as determined by the Board. Special meetings of the Board may be held at any time upon the call of the chief manager or two (2) Governors by giving two (2) days' notice to all Governors of the date, time, and place of the meeting. The notice need not state the purpose of the meeting unless required by the Act, the Articles or this Operating Agreement.

6.2. Place of Meetings. The annual meeting of the Board shall be held at the same place as the annual meeting of Members, except that any adjournment thereof may be held at any place within Shelby County, Tennessee, as may be designated by the Governors adjourning the meeting. Regular meetings of the Board shall be held at such place as determined by the Board. Special meetings of the Board shall be held at such place within Shelby County, Tennessee, as fixed by the person or persons properly calling the meeting.

6.3. Notice. If a regular meeting date, time and place have been established by the Board, no notice of the meeting is required. Notice of an adjourned meeting need not be given other than by announcement at the meeting at which adjournment is taken; provided, that the period of adjournment does not exceed one (1) month for any one (1) adjournment. A Governor may waive any notice required by this Act, the Articles or this Operating Agreement before or after the date and time stated in the notice. The waiver must be in writing, signed by the Governor entitled to the notice, and filed with the minutes or other records of the Company, provided that a Governor's attendance at or participation in a meeting waives any required notice to the Governor of the meeting, unless the Governor at the beginning of the meeting (or promptly upon arrival) objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to any action taken at the meeting.

6.4. Quorum and Manner of Acting. All of the Governors shall constitute a quorum for the transaction of business. The affirmative vote of all of the Governors shall be the act of the Board, unless the vote of a lesser number is otherwise required by the Act, the Articles, or this Operating Agreement. If a quorum is present when a duly called or held meeting is convened, the Governors present may continue to transact business until adjournment, even though the withdrawal of a number of Governors originally present leaves less than the number otherwise required for a quorum. A Governor who is present at a meeting of the Board when Company action is taken is deemed to have assented to the action taken unless: (i) the Governor objects at the beginning of the meeting (or promptly upon the Governor's arrival) to holding it or transacting business at the meeting; (ii) the Governor's dissent or abstention from the action taken is entered in the minutes of the meeting; or (iii) the Governor delivers written notice of dissent or abstention to the presiding officer of the meeting before its adjournment or to the Company immediately after adjournment of the meeting. The right of dissent or abstention is not available to a Governor who votes in favor of the action taken.

6.5. Conference Meeting. The Board may permit any or all Governors to participate by or conduct the meeting through the use of any means of communication by which all Governors participating may simultaneously hear each other during the meeting. A Governor

participating in a meeting by this means is deemed to be present in person at the meeting, which may be reflected in the minutes.

6.6. Action without a Meeting. An action required or permitted to be taken at a meeting of the Board may be taken with the consent of all the Members. The action must be evidenced by one (1) or more written consents describing the action taken, signed by each Governor in one (1) or more counterparts, indicating the signing Governor's vote or abstention on the action, and shall be included in the minutes or filed with the Company's records reflecting the action taken. The written action shall be effective when the last required Governor signs the action, unless a different effective time is provided in the written action. A properly signed consent has the effect of a meeting vote and may be described as such in any document. Any action requiring a meeting by the board is satisfied by a properly signed consent.

ARTICLE 7
MANAGERS

7.1. Managers. The managers of the Company shall be the chief manager, the secretary, and any other managers or agents the Board considers necessary or desirable for the operation and management of the Company. Managers need not be residents of Tennessee or Members of the Company. Any number of managerial positions (or functions of those positions) other than those of chief manager and secretary may be held or exercised by the same person. If a document must be signed by persons holding different positions or functions and a person holds or exercises more than one (1) of those positions or functions, that person may sign the document in more than one (1) capacity, but only if the document indicates each capacity in which the person signs.

7.2. Election and Term. The managers of the Company shall be elected at the annual meeting of the Board. Each manager shall hold office at the pleasure of the Board or for such other period as the Board may specify at the time of electing the manager, or until the death, resignation or removal of the manager, whichever first occurs, except that in no event shall the term of the chief manager extend beyond the next annual meeting of the Board. Nothing in this Section 7.2 shall preclude the Board from exercising such other rights to terminate a manager as may be provided in this Operating Agreement or in any contract with the manager.

7.3. Removal. The Board may remove a manager at any time with or without cause. The Board may eliminate any manager position other than chief manager or secretary at any time.

7.4. Vacancies. A vacancy in an office of manager because of death, resignation, removal, disqualification, or other cause may (or, in the case of a vacancy in the office of chief manager or secretary, must) be filled for the unexpired portion of the term by the Board. If a vacancy is created by a resignation which is made effective at a later date and the Company

accepts the future effective date, the Board may fill the pending vacancy before the effective date, if the action provides that the successor does not take office until the effective date.

7.5. Delegation. Unless prohibited by the Articles, this Operating Agreement, or by a resolution adopted by the Board, a manager, without further approval, may delegate some or all of the duties and powers of an office to other persons. A manager who delegates the duties or powers of an office remains subject to the standard of conduct for a manager with respect to the discharge of all duties and powers so delegated.

7.6. Duties.

(a) The chief manager shall perform the duties prescribed by the Board or the Members; other managers shall perform the duties prescribed by the Board, the Members or the chief manager.

(b) Unless otherwise provided by the Board or the Members, and subject to the other provisions of this Operating Agreement, the chief manager shall have the general executive powers and duties of supervision and management as are usually vested in the president of a corporation, including, without limitation: (i) seeing that all orders and resolutions of the Board or Members are carried into effect; (ii) signing and delivering in the name of the Company any deeds, mortgages, bonds, contracts or other instruments pertaining to the business of the Company (unless another signature is required by law, or by the Articles, this Operating Agreement or the Board), except that, without the approval of the Board or the Members, the chief manager shall not enter into a contract in the name of the Company with a term of more than one year; (iii) if the Company has a vacancy in the office of secretary, accepting delivery of any notices, documents or other matters otherwise required to go to the secretary; (iv) authorizing and making expenditures in accordance with periodic budgets approved by the Board; and (v) authorizing and making unbudgeted expenditures in the ordinary course of business, not to exceed $2,000,000 per year under any one agreement, or series of related agreements, or $3,000,000 per year in the aggregate.

(c) Unless the Board, the Members, or the chief manager otherwise provide, the secretary shall (i) keep accurate membership records for the Company, (ii) maintain records of and, whenever necessary, certify all proceedings of, the Board, the Members or committees of the Company; (iii) receive notices required to be sent to the secretary and keep a record of such notices in the records of the Company.

ARTICLE 8
LIMITATIONS ON LIABILITIES AND DUTIES

8.1. Limited Liability. A Member, Economic Interest Owner, Governor, manager, employee or other agent of the Company does not have any personal obligation and is not otherwise personally liable for (i) the acts, debts, liabilities, or obligations of the Company, whether arising in contract, tort or otherwise, or (ii) the acts or omissions of any other Member, Economic Interest Owner, manager, Governor, employee or other agent of the Company. The limited liability described in this Section 8.1 shall continue in full force regardless of any dissolution, winding up, and termination of the Company.

8.2. Other Business Activities.

(a) Any Member, Governor or Affiliate of a Member or Governor may engage in, or possess an interest in, other business ventures of every nature and description, independently or with others, whether or not similar to or in competition with the Company, and neither the Company nor any Member shall have any right by virtue of this Operating Agreement in or to such other business ventures, or to the income or profits derived from such other business ventures, except that, during the period a Person is a Member or Governor of the Company, neither such Person nor any Affiliate of such Person, directly or indirectly, shall engage in, or possess an interest in, another business venture which provides telecommunication services on a wholesale basis in Shelby County, Tennessee in competition with the Company. Each Member may, independently, and on its own account, provide retail telecommunication services to the general public in Shelby County, Tennessee, including without limitation, automatic meter reading, Internet services, video on demand, and local prepay telephone services.

(b) Neither the Members or the Governors shall be required to devote all of their time or business efforts to the affairs of the Company, but shall devote so much of their time and business efforts as is reasonably necessary and advisable to manage the affairs of the Company to the best advantage of the Company.

8.3. Transactions with Members, Governors, Managers, and their Affiliates. No contract or other transaction between the Company and any Member, Governor or manager of the Company, or any Affiliate of a Member, Governor, or manager of the Company, shall be void or voidable because of the relationship of the parties, and neither the Member, Governor, manager nor Affiliate shall be obligated to account to the Company for any profit or benefit derived from such contract or other transaction, provided (i) the terms and conditions of the contract or other transaction are not materially less favorable to the Company than generally would be available in an arms' length transaction, or (ii) the contract or other transaction is otherwise valid under Section 48-239-116 or Section 48-240-103 of the Act, or other applicable law.

ARTICLE 9
CONTRIBUTIONS AND CAPITAL ACCOUNTS

9.1. Capital Contributions.

(a) On the date hereof, MLGW shall make an initial Capital Contribution to the Company of $533.00 in cash, and A&L shall make an initial Capital Contribution to the Company of $467.00 in cash.

(b) Between the date hereof and the Approval Date, MLGW and A&L, in their discretion, may make additional Capital Contributions as a source of funding for the Company to seek and obtain regulatory approvals, as contemplated by Section 2.5(a) above. MLGW and A&L shall each make one-half of any Capital Contributions under this Section 9.1(b).

(c) Subsequent to the Approval Date, MLGW and A&L shall make Capital Contributions to the Company as required by that certain Agreement dated November ___, 1999 between MLGW and A&L.

(d) It is contemplated that, if and to the extent approved by the Members, the Members may make one or more Capital Contributions in addition to the Capital Contributions contemplated under subsections (a) through (c) of this Section 9.1, so that the aggregate of all Capital Contributions will be approximately $30 million. The Member's Capital Contributions under this Section 9.1(d) shall be in proportion to the initial Capital Contributions under Section 9.1(a).

(e) The Capital Contribution of each Member shall be conditioned upon the concurrent Capital Contribution required of the other Member. Except as provided in subsections (a) and (c) of this Section 9.1, and except as mutually agreed in writing by all of the Members, no Member shall be required to make Capital Contributions.

9.2. Capital Accounts.

(a) The Company shall maintain a separate Capital Account for each Equity Owner in conformity with the requirements under Section 1.704-1(b)(2)(iv) of the Treasury Regulations. Consistent with such Treasury Regulations, each Equity Owner's Capital Account will be increased by (i) the amount of money contributed by such Equity Owner to the Company; (ii) the fair market value of property contributed by such Equity Owner to the Company (net of liabilities secured by such contributed property that the Company is considered to assume or take subject to under Section 752 of the Code); (iii) allocations to such Equity Owner of Net Profits; (iv) any items in the nature of income and gain which are specially allocated to the Equity Owner pursuant to subsections (a) through (f) of Section 10.3; and (v) allocations to such Equity Owner of

income described in Section 705(a)(1)(B) of the Code. Each Equity Owner's Capital Account will be decreased by (i) the amount of money distributed to such Equity Owner by the Company; (ii) the fair market value of property distributed to such Equity Owner by the Company (net of liabilities secured by such distributed property that such Equity Owner is considered to assume or take subject to under Section 752 of the Code); (iii) allocations to such Equity Owner of expenditures described in Section 705(a)(2)(B) of the Code; (iv) any items in the nature of deduction and loss that are specially allocated to the Equity Owner pursuant to subsections (a) through (f) of section 10.3; and (v) allocations to such Equity Owner of Net Losses.

(b) In the event of a permitted sale or exchange of a Ownership Interest in the Company, the Capital Account of the transferor shall become the Capital Account of the transferee to the extent it relates to the transferred Ownership Interest in accordance with Section 1.704-1(b)(2)(iv) of the Treasury Regulations.

(c) Upon liquidation of the Company, liquidating distributions will be made in accordance with the positive Capital Account balances of the Equity Owners, as determined after taking into account all Capital Account adjustments for the Company's Fiscal Year during which the liquidation occurs. Liquidation proceeds will be paid in accordance with Article 12.

ARTICLE 10
ALLOCATIONS AND DISTRIBUTIONS

10.1. Allocation of Operating Net Profits and Operating Net Losses. Subject to Section 10.3 below, the Operating Net Losses and Operating Net Profits for each Fiscal Year shall be allocated among the Equity Owners as follows:

(a) If the Company has Operating Net Losses, as follows:

(i) First, 50% to each of A&L and MLGW, respectively, to the extent that its Capital Contributions prior to the Approval Date exceed [A] the cumulative Net Losses allocated to it in prior Fiscal Years under this Section 10.1(a)(i) and under Section 10.2(a)(i), minus [B] the cumulative Net Profits allocated to it in prior Fiscal Years under Section 10.1(b)(iv) and 10.2(b)(iv).

(ii) Then, to A&L, to the extent that A&L's Capital Contributions after the Approval Date exceed [A] the cumulative Net Losses allocated to A&L in prior Fiscal Years under this Section 10.1(a)(i) and under Section 10.2(a)(i), minus [B] the cumulative Net Profits allocated to A&L in prior Fiscal Years under Sections 10.1(b)(iii) and 10.2(b)(iii);

(iii) Then, to MLGW, to the extent that MLGW's Capital Contributions after the Approval Date exceed [A] the cumulative Net Losses allocated to MLGW in prior Fiscal Years under this Section 10.1(a)(ii) and under Section 10.2(a)(ii) below, minus [B] the cumulative Net Profits allocated to MLGW in prior Fiscal Years under Sections 10.1(b)(ii) and 10.2(b)(ii);

(iv) Then, to A&L and MLGW in accordance with their Sharing Ratios.

(b) If the Company has Operating Net Profits, as follows:

(i) First, to A&L and MLGW, respectively, in accordance with their Sharing Ratios, to the extent that [A] the cumulative Net Losses allocated in prior Fiscal Years to A&L and MLGW, respectively, under Sections 10.1(a)(iv) and 10.2(a)(iv), exceed [B] the cumulative Net Profits allocated in prior Fiscal Years to A&L and MLGW, respectively, under this Section 10.1(b)(i) and under Section 10.2(b)(i);

(ii) Then, to MLGW, to the extent that [A] the cumulative Net Losses allocated to MLGW in prior Fiscal Years under Sections 10.1(a)(iii) and 10.2(a)(iii), exceed [B] the cumulative Net Profits allocated to MLGW in prior Fiscal Years under this Section 10.1(b)(ii) and under Section 10.2(b)(ii);

(iii) Then, to A&L to the extent that [A] the cumulative Net Losses allocated to A&L in prior Fiscal Years under Sections 10.1(a)(ii) and 10.2(a)(ii), exceed [B] the cumulative Net Profits allocated to A&L in prior Fiscal Years under this Section 10.1(b)(iii) and under Section 10.2(b)(iii);

(iv) Then, 50% to each of A&L and MLGW, respectively, to the extent that [A] the cumulative Net Losses allocated to it in prior Fiscal Years under Sections 10.1(a)(i) and 10.2(b)(i), exceed [B] the cumulative Net Profits allocated to it in prior Fiscal Years under this Section 10.1(b)(iv) and under Section 10.2(b)(iv);

(v) Then, to A&L and MLGW in accordance with their Sharing Ratios.

10.2. Allocation of Extraordinary Net Losses and Extraordinary Net Profits. Subject to Section 10.3 below, the Extraordinary Net Losses and Extraordinary Net Profits for each Fiscal Year shall be allocated among the Equity Owners as follows, after first taking into account any allocations under Section 10.1 for such Fiscal Year:

(a) If the Company has Extraordinary Net Losses, as follows:

(i) First, 50% to each of A&L and MLGW, respectively, to the extent that its Capital Contributions prior to the Approval Date exceed [A] the cumulative Net Losses allocated to it in the current and prior Fiscal Years under Section 10.1(a)(i), and in prior Fiscal Years under this Section 10.2(a)(i), minus [B] the cumulative Net Profits allocated to it in the current and prior Fiscal Years under Section 10.1(b)(iv) and in prior Fiscal Years under Section 10.2(b)(iv);

(ii) Then, to A&L to the extent that A&L's Capital Contributions after the Approval Date exceed [A] the cumulative Net Losses allocated to A&L in the current and prior Fiscal Years under Section 10.1(a)(i), and in prior Fiscal Years under this Section 10.2(a)(i), minus [B] the cumulative Net Profits allocated to A&L in the current and prior Fiscal Years under Section 10.1(b)(iii), and in prior Fiscal Years under Section 10.2(b)(iii);

(iii) Then, to MLGW to the extent that MLGW's Capital Contributions after the Approval Date exceed [A] the cumulative Net Losses allocated to MLGW in the current and prior Fiscal Years under Section 10.1(a)(ii) above, and in prior Fiscal Years under this Section 10.2(a)(ii), minus [B] the cumulative Net Profits allocated to MLGW in the current and prior Fiscal Years under Section 10.1(b)(ii) and in prior Fiscal Years under Section 10.2(b)(ii);

(iv) Then, to A&L and MLGW in accordance with their Sharing Ratios.

(b) If the Company has Extraordinary Net Profits, as follows:

(i) First, to A&L and MLGW, respectively, in accordance with their Sharing Ratios, to the extent that [A] the cumulative Net Losses allocated to A&L and MLGW, respectively, in the current and prior Fiscal Years under Section 10.1(a)(iv) and in prior Fiscal Years under 10.2(a)(iv), exceed [B] the cumulative Net Profits allocated to A&L and MLGW, respectively, in the current and prior Fiscal Years under 10.1(b)(i) and in prior Fiscal Years under this Section 10.2(b)(i);

(ii) Then, to MLGW to the extent that [A] the cumulative Net Losses allocated to MLGW in the current and prior Fiscal Years under Section 10.1(a)(iii) and in prior Fiscal Years under Section 10.2(a)(iii), exceed [B] the cumulative Net Profits allocated to MLGW in the current and prior Fiscal Years under Section 10.1(b)(ii) and in prior Fiscal Years under this Section 10.2(b)(ii);

(iii) Then, to A&L to the extent that [A] the cumulative Net Losses allocated to A&L in the current and prior Fiscal Years under Section 10.1(a)(ii) and in prior Fiscal Years under Section 10.2(a)(ii), exceed [B] the cumulative Net

Profits allocated to A&L in the current and prior Fiscal Years under Section 10.1(b)(iii) and in prior Fiscal Years under this Section 10.2(b)(iii);

(iv) Then, 50% to each of A&L and MLGW, respectively, to the extent that [A] the cumulative Net Losses allocated to it in the current and prior Fiscal Years under Section 10.1(a)(i) and in prior Fiscal Years under Section 10.2(a)(i), exceed [B] the cumulative Net Profits allocated to it in the current and prior Fiscal Years under Section 10.1(b)(iv) and in prior Fiscal Years under this Section 10.2(b)(iv);

(v) Then, 50% to A&L and 50% to MLGW.

10.3. Special Allocations to Capital Accounts. Notwithstanding Sections 10.1 and 10.2 hereof:

(a) In the event any Equity Owner unexpectedly receives any adjustments, allocations, or distributions described in Sections 1.704-1(b)(2)(ii)(d)(4), (5), or (6) of the Treasury Regulations, which create or increase a Deficit Capital Account of such Equity Owner, then items of Company income and gain (consisting of a pro rata portion of each item of Company income, including gross income, and gain for such year and, if necessary, for subsequent years) shall be specially allocated to such Equity Owner in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, the Deficit Capital Account so created as quickly as possible. It is the intent that this Section 10.3(a) be interpreted to comply with the alternate test for economic effect set forth in Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations.

(b) In the event any Equity Owner would have a Deficit Capital Account at the end of any Company taxable year which is in excess of the sum of any amount that such Equity Owner is obligated to restore to the Company under Section 1.704-1(b)(2)(ii)(c) of the Treasury Regulations and such Equity Owner's share of minimum gain as defined in Section 1.704-2(g)(1) of the Treasury Regulations (which is also treated as an obligation to restore in accordance with Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations), the Capital Account of such Equity Owner shall be specially credited with items of Company income (including gross income) and gain in the amount of such excess as quickly as possible.

(c) Notwithstanding any other provision of this Section 10.3, if there is a net decrease in the Company's minimum gain as defined in Treasury Regulation Section 1.704-2(d) during a taxable year of the Company, then, the Capital Accounts of each Equity Owner shall be allocated items of income (including gross income) and gain for such year (and if necessary for subsequent years) equal to that Equity Owner's share of the net decrease in Company minimum gain. This Section 10.3(c) is intended to comply with the minimum gain charge back requirement of Section 1.704-2 of the Treasury

Regulations and shall be interpreted consistently therewith. If in any taxable year that the Company has a net decrease in the Company's minimum gain, if the minimum gain charge back requirement would cause a distortion in the economic arrangement among the Equity Owners and it is not expected that the Company will have sufficient other income to correct that distortion, the Members may in their discretion cause the Company to seek to have the Internal Revenue Service waive the minimum gain charge back requirement in accordance with Treasury Regulation Section 1.704-2(f)(4).

(d) Notwithstanding any other provision of this Section 10.3 except Section 10.3(c), if there is a net decrease in Member Nonrecourse Debt Minimum Gain attributable to a Member Nonrecourse Debt during any Company Fiscal Year, each Member who has a share of the Member Nonrecourse Debt Minimum Gain attributable to such Member Nonrecourse Debt (determined in accordance with Regulation § 1.704-2(i)(5)) as of the beginning of the year shall be specially allocated items of Company income and gain for such year (and, if necessary, subsequent years) equal to such Member's share of the net decrease in Member Nonrecourse Debt Minimum Gain attributable to such Member Nonrecourse Debt. A Member's share of the net decrease in Member Nonrecourse Debt Minimum Gain shall be determined in accordance with Regulation § 1.704-2(i)(4); provided that a Member shall not be subject to this provision to the extent that an exception is provided by Regulation § 1.704-2(i)(4) and any Revenue Rulings issued with respect thereto. Any Member Nonrecourse Debt Minimum Gain allocated pursuant to this provision shall consist of first, gains recognized from the disposition of Company property subject to the Member Nonrecourse Debt, and, second, if necessary, a pro rata portion of the Company's other items of income or gain for that year. This Section 10.3(d) is intended to comply with the minimum gain charge back requirement in Regulation § 1.704-2(i)(4) and shall be interpreted consistently therewith.

(e) Items of Company loss, deduction and expenditures described in Section 705(a)(2)(B) which are attributable to any nonrecourse debt of the Company and are characterized as partner (Member) nonrecourse deductions under Section 1.704-2(i) of the Treasury Regulations shall be allocated to the Equity Owners' Capital Accounts in accordance with said Section 1.704-2(i) of the Treasury Regulations.

(f) Beginning in the first taxable year in which there are allocations of "nonrecourse deductions" (as described in Section 1.704-2(b) of the Treasury Regulations), such deductions shall be allocated to the Equity Owners in the same manner as Net Loss is allocated for such period.

10.4. Application of Credits and Charges. Any credit or charge to the Capital Accounts of the Equity Owners pursuant to subsections (a) through (f) of Section 10.3 shall be taken into account in computing subsequent allocations of Net Profits and Net Losses pursuant to Sections 10.1 and 10.2, so that the net amount of any items charged or credited to Capital Accounts pursuant to subsections (a) through (f) of Section 10.3 hereof shall to the extent possible, be

equal to the net amount that would have been allocated to the Capital Account of each Equity Owner pursuant to the provisions of this Article 10 if the special allocations required by Sections 10.3(a) through 10.3(f) had not occurred.

10.5. Distributions.

(a) Within sixty (60) days after the end of each Fiscal Year, unless otherwise agreed by the Members, the Company shall distribute to the Equity Owners, in accordance with their Sharing Ratios, an amount equal to the higher of: (i) forty-five percent (45%) of the Net Profits allocated to the Equity Owners with respect to such Fiscal Year, or (ii) eighty-five percent (85%) of the Company's cash flow for such Fiscal Year, which shall be equal to (i) the cash flow from operating and investing activities, plus (ii) any increase in long-term debt, minus (iii) any payments of the current portion of long-term debt.

(b) By mutual agreement, the Members may from time to time authorize additional distributions of cash or other property to Equity Owners, provided that no distribution shall be declared and paid unless, after the distribution is made, the assets of the Company exceed its liabilities, and the Company satisfies such other requirements as may apply under the Act. Except as provided in Article 12, all distributions made by the Company with respect to Ownership Interests (excluding distributions in redemption of all or part of an Equity Owner's Ownership Interest) shall be allocated among the Equity Owners in accordance with their Sharing Ratios.

10.6. Interest On and Return of Capital Contributions. No Member shall be entitled to interest on, or to a return of, the Member's Capital Contribution, except as otherwise specifically provided in this Operating Agreement.

10.7. Tax Matters Partner. A&L shall be the Tax Matters Partner as defined in Section 6231(a)(7) of the Code for so long as A&L is a Member of the Company.

10.8. Certain Allocations for Income Tax (But Not Book Capital Account) Purposes.

(a) In accordance with Section 704(c)(1)(A) of the Code and Section 1.704-1(b)(2)(i)-(iv) of the Treasury Regulations, if a Member contributes property with a initial Gross Asset Value that differs from its adjusted basis at the time of contribution, income, gain, loss and deductions with respect to the property shall, solely for federal income tax purposes (and not for Capital Account purposes), be allocated among the Equity Owners so as to take account of any variation between the adjusted basis of such property to the Company and its Gross Asset Value at the time of contribution pursuant to such method as determined by the Manager.

(b) Pursuant to Section 704(c)(1)(B) of the Code, if any contributed property is distributed by the Company other than to the contributing Equity Owner within seven years of being contributed, then, except as provided in Section 704(c)(2) of the Code, the contributing Equity Owner shall, solely for federal income tax purposes (and not for Capital Account purposes), be treated as recognizing gain or loss from the sale of such property in an amount equal to the gain or loss that would have been allocated to such Equity Owner under Section 704(c)(1)(A) of the Code if the property had been sold at its fair market value at the time of the distribution.

(c) In the case of any distribution by the Company to a Equity Owner, such Equity Owner shall, solely for federal income tax purposes (and not for Capital Account purposes), be treated as recognizing gain in an amount equal to the lesser of:

(1) the excess (if any) of (A) the fair market value of the property (other than money) received in the distribution over (B) the adjusted basis of such Equity Owner's Ownership Interest immediately before the distribution reduced (but not below zero) by the amount of money received in the distribution, or

(2) the Net Precontribution Gain (as defined in Section 737(b) of the Code) of the Equity Owner. The Net Precontribution Gain means the net gain (if any) which would have been recognized by the distributee Equity Owner under Section 704(c)(1)(B) of the Code if all property which (1) had been contributed to the Company within seven years of the distribution, and (2) is held by the Company immediately before the distribution, had been distributed by the Company to another Equity Owner. If any portion of the property distributed consists of property which had been contributed by the distributee Equity Owner to the Company, then such property shall not be taken into account under this Section 10.8(c)(2) and shall not be taken into account in determining the amount of the Net Precontribution Gain. If the property distributed consists of an interest in an Entity, the preceding sentence shall not apply to the extent that the value of such interest is attributable to the property contributed to such Entity after such interest had been contributed to the Company.

(d) All recapture of income tax deductions resulting from sale or disposition of Company property shall be allocated to the Equity Owners to whom the deduction that gave rise to such recapture was allocated hereunder to the extent that such Equity Owner is allocated any gain from the sale or other disposition of such property.

ARTICLE 11
TRANSFER OF MEMBERSHIP INTERESTS

11.1. Restrictions on Transfer of Ownership Interests. An Equity Owner shall not sell, assign, transfer, give away or otherwise dispose of all or any part of the Equity Owner's Ownership Interest except as permitted in this Article 11 or in Section 3.4.

11.2. Permitted Transfers. Each Member may grant a security interest in any or all of its Financial Rights and in its right to assign its Financial Rights (the "Collateral"), but no Member may grant a security interest in its Governance Rights or its right to assign its Governance Rights. If the secured party forecloses on its security interest in the Collateral, the foreclosure shall constitute an Involuntary Transfer under Section 11.6 below. If the Company and the other Members elect not to purchase the Collateral under Section 11.6, the Involuntary Transfer shall be effected, but the Involuntary Transfer shall not result in the secured party becoming a Member.

11.3. Prohibited Transfers. Except as provided in Sections 3.4, 11.2 and 11.6, for a period of four years following the Approval Date (the "First Period"), neither Member shall directly or indirectly transfer all or part of its Ownership Interest without the prior written consent of the other Member, which consent may be withheld for any reason.

11.4. Right of First Refusal and Come Along.

(a) From and after the expiration of the First Period, if a Member (the "Offering Member") proposes to sell all of its Ownership Interest in the Company ("Offered Interest") pursuant to a bona fide written offer ("Offer"), it shall give written notice (the "Purchase Notice") to the Company and the other Member (the "Offeree Member"), fully describing the offeror (the "Third Party Offeror") and the terms and conditions of the Offer. An Offer shall not be treated as being bona fide unless the full purchase price is payable in cash at the closing.

(b) The Offeree Member shall have an option to purchase all of the Offered Interest at the purchase price and upon the other terms specified in the Offer, exercisable by giving written notice thereof to the Offering Member and the Company within sixty (60) days after the date of the Purchase Notice.

(c) If the Offeree Member fails to exercise its option, the Company shall have an option to purchase all of the Offered Interest at the purchase price and upon the other terms specified in Offer, exercisable by giving written notice thereof to the Members within seventy (70) days after the date of the Purchase Notice.

(d) If either of the options granted in subsections (b) and (c) of this Section 11.4 is exercised, the closing shall be held at the principal executive office of the Company within thirty (30) days after the applicable option is exercised. At such closing, the Offering Member shall deliver to the Offeree Member or the Company, whichever is applicable, a bill of sale and assignment effecting the transfer of the Offered Interest,

together with such other documents which the Offeree Member or the Company reasonably requests to effect the purposes of this Operating Agreement.

(e) If neither the Offeree Member nor the Company elects to purchase all of the Offered Interest, the Offering Member may sell all of the Offered Interest to the Third Party Offeror, except that if the Purchase Notice was given within three (3) years after the expiration of the First Period (the "Second Period"), and if, within seventy-five (75) days after the date of the Purchase Notice, the Offeree Member notifies the Offering Member of its desire to participate in the sale to the Third Party Offeror, the Offering Member shall not sell the Offered Interest to the Third Party Offeror, unless the Third Party Offeror concurrently purchases all of the Offeree Member's Ownership Interest. The purchase price for the Offeree Member's Ownership Interest shall be payable in cash at the closing and shall be equal in amount to the Capital Account which would result for the Offeree Member if all of the business and assets of the Company were sold for an amount which would cause the Offering Member's Capital Account to be equal to the purchase price payable by the Third Party Offeror for the Offered Interest. The sale by the Offering Member (or by the Offering Member and the Offeree Member, if the Offeree Member exercises its right to participate in the sale) to the Third Party Offeror shall be closed within one hundred and eighty (180) days of the date of the Purchase Notice, or else the Offered Interest shall once again be subject to the provisions of this Section 11.4.

(f) The Third Party Offeror shall be bound by all of the terms and conditions of this Agreement with respect to the Ownership Interests it purchases under this Section 11.4.

11.5. Change in Control of A&L.

(a) During the First Period, A&L shall not permit a Change in Control of A&L. For purposes of this Section 11.5, the term "Change in Control of A&L" means that George A. Lowe II for any reason (other than his death or a transaction under Section 11.6) ceases to own at least 51% of the voting rights of A&L, either directly, or indirectly through one or more entities.

(b) A&L shall promptly notify MLGW (the "Change in Control Notice") of any Change in Control of A&L occurring within the Second Period. MLGW shall have the option, exercisable by giving notice thereof to A&L within thirty (30) days after the date of the Change in Control Notice, to require A&L to purchase all, but not less than all, of MLGW's Ownership Interest for a purchase price equal to the fair market value of the Ownership Interest, determined in accordance with Section 11.8 as of the date the Change in Control Notice. At the election of MLGW, the purchase price shall be payable either in cash at the closing, or by delivery of a promissory note at the closing, bearing interest at the Prime Rate plus two percent (2%), payable in five equal and consecutive annual installments of principal and interest. The closing shall be held at the principal

executive office of the Company on such date as mutually agreed upon by A&L and MLGW, but not more than fifteen (15) days after the fair market value of A&L's Ownership Interest has been determined in accordance with Section 11.8. For purposes of this Section 11.5, the term "Prime Rate" means the base rate of interest on corporate loans posted by at least seventy-five percent (75%) of the thirty (30) largest U.S. banks as reported in The Wall Street Journal.

(c) After the expiration of the Second Period, the Change in Control of A&L shall not be subject to any restrictions under this Operating Agreement.

11.6. Call Option by A&L.

(a) For a period of fifteen (15) years from the date of this Operating Agreement, A&L shall have an option to purchase all, but not less than all, of MLGW's Ownership Interest, upon satisfaction of the following conditions within such 15-year period:

(i) A corporation in control of A&L (the "Issuer") determines to register some or all of its securities ("Securities"). The terms "register" and "registration" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act of 1933, as amended, or any similar successor federal statute and the rules and regulations thereunder, and the declaration or ordering of the effectiveness of such registration statement.

(ii) A&L and the Issuer notify MLGW at least one hundred thirty-five (135) days prior to the date of the proposed registration (the "Registration Notice").

(iii) When the Registration Notice is given, the Issuer directly or indirectly owns 25% or more of the governance and financial rights in each of at least five other telecommunication companies (the "Other Companies") (in addition to its ownership interest in the Company), and the Unaffiliated Owners of at least five of the Other Companies (the "Other Participating Companies") have agreed to contribute their ownership interests in the Other Participating Companies to the Issuer in exchange for Securities, and such contributions would cause the Issuer directly or indirectly to become the owner of at least 51% of the governance and economic rights of the Other Participating Companies. The term "Unaffiliated Owners" means entities which do not directly or indirectly own a majority of the governance or economic rights of the Issuer or A&L, or in which neither the Issuer nor A&L directly or indirectly owns a majority of the governance or economic rights.

(iv) In the Registration Notice, A&L offers an option for MLGW to participate in the registration on terms and conditions substantially similar in all

material respects to the terms and conditions which have been accepted by the Other Participating Companies, and MLGW fails to exercise its option within forty-five (45) days after the date of the Registration Notice.

(b) A&L may exercise its option by giving notice thereof to MLGW within forty-five (45) days after the date of the Registration Notice. The purchase price payable for MLGW's Ownership Interest shall be equal to its fair market value determined in accordance with Section 11.8 as of the date of the Registration Notice, without regard to any premium in value which might have resulted if MLGW had participated in the registration, except that, if it is impermissible as a matter of law for MLGW to participate in the registration, the purchase price payable for MLGW's Ownership Interest shall be equal to the fair market value of the Securities which would have been issued to MLGW if it had contributed its Ownership Interest to the Issuer on terms and conditions substantially similar in all material respects to the terms and conditions applicable to the Other Participating Companies. The closing shall be held at the principal executive office of the Company on such date as mutually agreed upon by A&L and MLGW, but no later than the effective date of the registration.

11.7. Involuntary Transfers.

(a) Upon the occurrence of an Involuntary Transfer with respect to a Member (the "Affected Member"), the Company or the other Member shall have an option to purchase all (but not less than all) of the Ownership Interest of the Affected Member with respect to which the Involuntary Transfer has occurred (the "Affected Interest"). An "Involuntary Transfer" means any purported involuntary transfer, sale or other disposition of all or any part of an Ownership Interest in the Company, whether by operation of law, pursuant to court order, execution of a judgment or other legal process or otherwise, and including a purported transfer to a trustee in bankruptcy, receiver or assignee for the benefit of creditors.

(b) Upon the occurrence of an Involuntary Transfer, the Affected Member shall promptly notify the Company and the other Members thereof, stating when and why the Involuntary Transfer occurred, the percentage of the Affected Member's Ownership Interest which is involved, and the name, address and capacity of the transferee, if a purported transfer has occurred. If no such notice is given, the Company or any other Member may institute purchase proceedings under this Section 11.6 by giving written notice thereof to the Affected Member.

(c) The Company shall have the first option, exercisable by giving notice thereof to the Members within thirty (30) days after the date of the notice of Involuntary Transfer, to purchase all or any part of such Affected Interest at the price and terms provided below, and the other Member shall then have a second option, exercisable by giving notice thereof to the Company and the Affected Member within sixty (60) days

after the date of the notice of Involuntary Transfer, to purchase all or any part of the Affected Interest which the Company elects not to purchase, upon the same terms and conditions as exist in favor of the Company. If the Company and the other Member do not together purchase all of the Affected Interest, the options granted in this Section 11.7 shall be inapplicable, and the Involuntary Transfer may be effected without regard to this Section 11.7.

(d) The purchase price for an Affected Interest shall be its fair market value, as determined in accordance with Section 11.8 below, as of the end of the calendar quarter immediately preceding the earlier of the date of the Affected Member's notice of Involuntary Transfer, if any, or the date the Company or any Member notifies the Affected Member that purchase proceedings have been instituted under this Section 11.7. The purchase price shall be payable entirely in cash at the closing.

(e) The closing of any sale under this Section 11.7 shall be held at the principal executive office of the Company within fifteen (15) days after the determination of the fair market value of the Affected Interest pursuant to Section to 11.8. At the closing, the Affected Member shall deliver to the Company and/or the purchasing Member a bill of sale and assignment effecting the transfer of the Ownership Interest, together with such other documents which the Company and/or purchasing Member reasonably requests to effect the purposes of this Operating Agreement.

(f) Upon the occurrence of an Involuntary Transfer with respect to an Affected Member, the remaining Member may continue the existence of the Company and its business.

11.8. Fair Market Value.

(a) Whenever it is necessary to determine the fair market value of an Ownership Interest under Sections 11.5, 11.6 or 11.7, the Member selling its Ownership Interest ("Seller") and the Company and/or Member or Members purchasing the Seller's Ownership Interest ("Buyer") shall use their best efforts to agree upon the fair market value of the Ownership Interest.

(b) If the Seller and Buyer cannot agree upon the fair market value of the Ownership Interest, then, within ten (10) days after all of the applicable options have expired or been exercised, Seller and Buyer shall use their best efforts to agree upon an appraiser to determine the fair market value of the Ownership Interest. If the Seller and Buyer cannot agree upon a single appraiser, then, within twenty (20) days after all of the applicable options have been exercised, Seller and Buyer shall each appoint an appraiser.

(c) Within forty-five (45) days after all of the applicable options have been exercised, each appraiser shall make a determination of the fair market value of the

Seller's Ownership Interest. If the higher of the two values is not 120% or more of the lower value, the fair market value of the Seller's Ownership Interest shall be deemed to be the average of the two values. If the higher value is 120% or more of the lower value, then, within fifty (50) days after all of the applicable options have been exercised, the two appraisers shall each appoint a third appraiser.

(d) The third appraiser shall determine the fair market value of the Ownership Interest within seventy (70) days after all of the applicable options have expired or been exercised. If the third appraised value is higher than the first two, the higher of the first two values shall be used as the fair market value of the Seller's Ownership Interest; if the third value is lower than the first two values, the lower of the first two values shall be used as the fair market value of the Seller's Ownership Interest; if the third value is equal to or between the first two values, the third value shall be used as the fair market value of the Seller's Ownership Interest.

(e) Each appraiser shall be reasonably experienced in valuing interests in businesses similar to the business conducted by the Company. Seller and Buyer shall equally bear the costs and expenses of the appraisal. If the Buyer consists of multiple parties, the Buyer's costs and expenses shall be prorated among them based on the portion of the Seller's Ownership Interest each is purchasing.

(f) A transferee who acquires all or part of an Ownership Interest in compliance with this Article 11 shall become a substitute Member with respect to any Governance Rights included as part of such transferred Ownership Interest.

ARTICLE 12
DISSOLUTION AND TERMINATION

12.1. Dissolution Events. The Company shall be dissolved only upon the occurrence of any of the following events:

(a) Any event specified in the Articles;

(b) By action of the organizers pursuant to § 48-245-201 of the Act or by the Members pursuant to § 48-245-202 of the Act;

(c) By order of a court pursuant to §§ 48-245-901 or 48-245-902 of the Act;

(d) By action of the Secretary of State pursuant to § 48-245-302 of the Act; or

(e) A merger in which the Company is not the surviving organization.

The Company is not dissolved and is not required to be wound up by reason of any event that terminates the continued membership of a Member if there is at least one (1) remaining Member.

12.2. Notice of Dissolution. If the Members agree to dissolve the Company pursuant to § 48-245-202 of the Act, or if the Company is dissolved upon the occurrence of an event specified in the Articles, the Company shall file with the Tennessee Secretary of State a notice of dissolution. The Company shall cease to carry on its business, except to the extent necessary (or appropriate) for the winding up of the business of the Company. The Members shall retain the right to revoke the dissolution in accordance with § 48-245-601 of the Act and the right to remove or appoint Governors and managers. The Company's existence shall continue until the dissolution is revoked or articles of termination are filed with the Tennessee Secretary of State.

12.3. Procedure in Winding Up. If the business of the Company is to be wound up and terminated other than by merging the Company into a surviving business entity, the following procedures shall be followed:

(a) When a notice of dissolution has been filed with the Tennessee Secretary of State, the Board, or the managers acting under the direction of the Board, shall proceed as soon as possible to collect or make provision for the collection of all known debts due or owing to the Company, including unperformed contribution agreements, and except as provided in § 48-245-502 of the Act (relating to known and unknown claims), pay or make provision for the payment of all known debts, obligations, and liabilities of the Company according to their priorities under § 48-245-1101 of the Act.

(b) When a notice of dissolution has been filed with the Tennessee Secretary of State, the Board may sell, lease, transfer, or otherwise dispose of all or substantially all of the property and assets of the Company without a vote of the Members. Any Net Profits or Net Losses from such sales shall be allocated to the Equity Owners' Capital Accounts in accordance with Article 10 hereof.

(c) All tangible or intangible property, including money, remaining after the discharge of the debts, obligations, and liabilities of the Company shall be distributed to the Equity Owners in accordance with the Capital Account balances of the Equity Owners. The assets may be distributed in cash or in kind as determined by the Board. Any assets distributed in kind shall be deemed to have been sold as of the date of dissolution for their fair market value, and the Capital Accounts of the Equity Owners shall be adjusted pursuant to the provisions of Article 10 of this Operating Agreement to reflect the deemed sale. Distributions to the Equity Owners in respect of their Capital Accounts shall be made in accordance with the time requirements set forth in Section 1.704-1(b)(2)(ii)(b)(2) of the Treasury Regulations.

(d) If any Equity Owner has a Deficit Capital Account at the time of a liquidation of the Company within the meaning of Section 1.704-1(b)(2)(ii)(g) of the

Treasury Regulations (after giving effect to all contributions, distributions, allocations and other Capital Account adjustments for all taxable years, including the year during which the liquidation occurs), such Equity Owner shall not be obligated to make any Capital Contribution, and the negative balance in the Member's Capital Account shall not be considered a debt owed by such Equity Owner to the Company or to any other Person for any purpose whatsoever.

12.4. Articles of Termination. The Company shall file its Articles of Termination with the Secretary of State upon its dissolution and the completion of winding up of its business.

12.5. Return of Contribution Nonrecourse to Other Equity Owners. Upon dissolution, except as provided by law or as expressly provided in this Operating Agreement, each Equity Owner shall look solely to the assets of the Company for the return of its Capital Contribution. If the Company's assets remaining after the payment or discharge of the debts and liabilities of the Company are insufficient to return the cash contribution of one or more Equity Owners, such Equity Owners shall have no recourse against any other Equity Owner.

12.6. Withdrawal of a Member. Neither A&L nor MLGW shall withdraw from the Company without the other's approval, subject to the right of each Member to sell or otherwise dispose of its Ownership Interest in accordance with Article 11.

ARTICLE 13
INDEMNIFICATION

13.1. Definitions. As used in this Article, unless the context otherwise requires:

(a) "Expenses" include counsel fees.

(b) "Liability" means the obligation to pay a judgment, settlement, penalty, fine (including an excise tax assessed with respect to an employee benefit plan), or reasonable Expenses incurred with respect to a Proceeding.

(c) "Official Capacity" means the position of Governor and the elective or appointive office or position held by a manager, member of a committee of the Board, or the employment or agency relationship undertaken by an employee or agent on behalf of the Company. "Official Capacity" does not include service for any other foreign or domestic corporation, limited liability company, partnership, joint venture, trust, employee benefit plan, or other enterprises.

(d) "Party" includes an individual who was, is, or is threatened to be made a named defendant or respondent in a Proceeding.

(e) "Proceeding" means any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative, and whether formal or informal.

(f) "Responsible Person" means an individual who is or was a Governor of the Company, or an individual who, while a Governor of the Company, is or was serving at the Company's request as a governor, manager, director, officer, partner, trustee, employee, or agent of another foreign or domestic limited liability company, corporation, partnership, joint venture, employee benefit plan or other enterprise. A Governor is considered to be serving an employee benefit plan at the Company's request if the Governor's duties to the Company also impose duties on, or otherwise involve services by the Governor to the plan or to participants in or beneficiaries of the plan. "Responsible Person" includes, unless the context requires otherwise, the estate or personal representative of a Responsible Person.

(g) "Special Legal Counsel" means counsel who has not represented the Company or a related limited liability company, or a Governor, manager, member of a committee of the Board, agent or employee, whose indemnification is in issue.

13.2. Authority to Indemnify. The Company shall indemnify an individual made a Party to a Proceeding because such individual is or was a Responsible Person against Liability incurred in the Proceeding if the individual acted in good faith and reasonably believed, in the case of conduct in such individual's Official Capacity with the Company, that such individual's conduct was in the Company's best interest, and in all other cases, that such individual's conduct was at least not opposed to the Company's best interests, and in the case of any criminal Proceeding, had no reasonable cause to believe such individual's conduct was unlawful.

(a) A Responsible Person's conduct with respect to an employee benefit plan for a purpose such person reasonably believed to be in the interests of the participants in and beneficiaries of the plan is conduct that satisfies the requirements of this Section 13.2.

(b) The termination of a Proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent is not, of itself, determinative that the Responsible Person did not meet the standard of conduct described in this Section 13.2.

(c) Except as provided in Section 13.5 below, the Company may not indemnify a Responsible Person in connection with a Proceeding by or in the right of the Company in which the Responsible Person was adjudged liable to the Company, or in connection with any other Proceeding charging improper personal benefit to such Responsible Person, whether or not involving action in such person's Official Capacity, in

which such person was adjudged liable on the basis that personal benefit was improperly received by such person.

13.3. Mandatory Indemnification. The Company shall indemnify a Responsible Person who was wholly successful, on the merits or otherwise, in the defense of any Proceeding to which the person was a Party because the person is or was a Responsible Person of the Company against reasonable Expenses incurred by the person in connection with the Proceeding.

13.4. Advances for Expenses. The Company shall pay for or reimburse the reasonable Expenses incurred by a Responsible Person who is a Party to a Proceeding in advance of final disposition of the Proceeding if (i) the Responsible person furnishes the Company a written affirmation of good faith belief that the Person has met the standard of conduct described in Section 13.2; (ii) the Responsible Person furnishes the Company a written undertaking, executed personally or on such person's behalf, to repay the advance if it is ultimately determined that the Person is not entitled to indemnification; and (iii) a determination is made that the facts then known to those making the determination would not preclude indemnification under this Article. The undertaking required by this section must be an unlimited general obligation of the Responsible Person but need not be secured and may be accepted without reference to financial ability to make repayment. Determinations and authorizations of payments under this section shall be made in the manner specified in Section 13.6.

13.5. Court-Ordered Indemnification. A Responsible Person of the Company who is a Party to a Proceeding may apply for indemnification to the court conducting the Proceeding or to another court of competent jurisdiction. On receipt of an application, the court, after giving any notice the court considers necessary, may order indemnification if it determines:

(a) The Responsible Person is entitled to mandatory indemnification under Section 13.3, in which case the court shall also order the Company to pay the Responsible Person's reasonable Expenses incurred to obtain court-ordered indemnification; or

(b) The Responsible Person is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not the person met the standard of conduct set forth in Section 13.2 or was adjudged liable as described in Section 13.2(c), but if the person was adjudged so liable the person's indemnification is limited to reasonable Expenses incurred.

13.6. Determination and Authorization of Indemnification. Except as provided in Section 13.5, the Company may not indemnify a Responsible Person under Section 13.2 unless authorized in the specific case after a determination has been made that indemnification of the Responsible Person is permissible in the circumstances because the person has met the standard of conduct set forth in Section 13.2. The determination shall be made:

(a) By the Board by majority vote of a quorum consisting of Governors not at the time Parties to the Proceeding;

(b) If a quorum cannot be obtained under Section 13.6(a), by majority vote of a committee duly designated by the Board (in which designation Governors who are parties may participate), consisting solely of two (2) or more Governors not at the time parties to the Proceeding;

(c) By independent Special Legal Counsel selected by the Board or by a committee in the manner prescribed in Section 13.6(a) or (b), or if a quorum of the Board cannot be obtained under Section 13.6(a) and a committee cannot be designated under Section 13.6(b), selected by majority vote of the full Board (in which selection Governors who are parties may participate); or

(d) By the members of the Company, but ownership interests owned by or voted under the control of members who are at the time parties to the Proceeding may not be voted on the determination.

Authorization of indemnification and evaluation as to reasonableness of Expenses shall be made in the same manner as the determination that indemnification is permissible, except that if the determination is made by Special Legal Counsel, authorization of indemnification and evaluation as to reasonableness of Expenses shall be made by those entitled under Section 13.6(c) to select counsel.

13.7. Indemnification of Managers, Employees and Agents.

(a) A manager of the Company who is not a Responsible Person is entitled to mandatory indemnification under Section 13.3, and is entitled to apply for court-ordered indemnification under Section 13.5, in each case to the same extent as a Responsible Person.

(b) The Company may indemnify and advance Expenses to a manager, employee, independent contractor or agent of the Company who is not a Responsible Person to the same extent as a Responsible Person.

(c) The Company may also indemnify and advance Expenses to a manager, employee, independent contractor or agent who is not a Responsible Person to the extent, consistent with public policy, provided by general or specific action of the Board, or by contract.

13.8. Insurance. The Company shall purchase and maintain insurance on behalf of an individual who is or was a Responsible Person, manager, employee, independent contractor, or agent of the Company, or who, while a Responsible Person, manager, employee, independent

contractor, or agent of the Company, is or was serving at the request of the Company as a Responsible Person, manager, partner, trustee, employee, independent contractor, or agent of another foreign or domestic limited liability company, corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise, against Liability asserted against or incurred by such person in that capacity or arising from such person's status as a Responsible Person, manager, officer, employee, independent contractor, or agent, whether or not the Company would have power to indemnify such person against the same Liability under Section 13.2 or 13.3.

13.9. Application of Article. The indemnification and advancement of Expenses provided by this Article shall not be deemed exclusive of any other rights to which a Responsible Person seeking indemnification or advancement of Expenses may be entitled, whether contained in the Act, the Articles, or this Operating Agreement, or when authorized by the Articles or this Operating Agreement, in a resolution of members, a resolution of Governors, or an agreement providing for such indemnification; provided, that no indemnification may be made to or on behalf of any Responsible Person if a judgment or other final adjudication adverse to the Responsible Person or officer establishes such person's Liability for any breach of the duty of loyalty to the Company or its members, for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, or under § 48-237-101 of the Act (relating to wrongful distributions). Nothing contained in this section shall affect any rights to indemnification to which the Company's personnel, other than Responsible Persons, may be entitled by contract or otherwise under law. This section does not limit the Company's power to pay or reimburse Expenses incurred by a Responsible Person in connection with such person's appearance as a witness in a Proceeding at a time when such person has not been made a named defendant or respondent to the Proceeding.

ARTICLE 14
MISCELLANEOUS PROVISIONS

14.1. Notices. Except as otherwise provided in this Operating Agreement, all notices, requests, demands, letters, waivers and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given if (a) delivered personally, (b) mailed, certified mail with postage prepaid, (c) sent by next-day or overnight mail or delivery or (d) sent by facsimile.

14.2. Books of Account and Records. The manager shall keep complete records and books of account at the principal executive office of the Company, which shall be open to the reasonable inspection and examination by the Equity Owners and their duly authorized representatives during reasonable business hours.

14.3. Application of Law. This Operating Agreement shall be governed by the laws of the State of Tennessee. To the extent permitted by law, the courts of Shelby County, Tennessee shall be the exclusive forum for the litigation of any disputes under this Operating Agreement.

14.4. Amendments. This Operating Agreement may not amended without the unanimous approval of the Members.

14.5. Heirs, Successors and Assigns. This Operating Agreement shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Operating Agreement, their respective heirs, legal representatives, successors and assigns.

14.6. Creditors and Other Third Parties. None of the provisions of this Operating Agreement shall be for the benefit of or enforceable by any third parties, including, without limitation, any creditors of the Company.

14.7. Counterparts. This Operating Agreement may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

14.8. Limitation of Liability. The obligations of MLGW under this Operating Agreement shall be limited to the extent required by applicable state and federal law and shall be further subject to the second sentence of Section 1 of the Wholesale Power Contract between MLGW and the Tennessee Valley Authority dated December 26, 1984 and to Paragraph 1 of the Schedule of Terms and Conditions attached to the Wholesale Power Contract (and to substantially similar anti-commingling provisions in any subsequent contract or amended contract between TVA and MLGW). Without limitation of the foregoing, A&L acknowledges that (i) MLGW's liability for any tortious acts or omissions or breaches of contract under this Operating Agreement shall be limited to its Ownership Interest in the Company and the other resources and assets within, or allocated to, the Telecommunications Division of the Electric Division of MLGW; (ii) neither the Electric Division (except for its Telecommunications Division), the Gas Division, nor the Water Division of MLGW assumes any financial obligation under this Operating Agreement; and (iii) neither the tax revenues nor the taxing power of the City of Memphis, Tennessee are in any way pledged or obligated under this Operating Agreement.

14.9. Entire Agreement. This Operating Agreement constitutes the entire agreement and understanding of the parties hereto with respect to the subject matter hereof, and all prior and concurrent agreements, understandings, representations and warranties with respect to such subject matter, whether written or oral, are and have been merged herein and superseded hereby.

THIS AGREEMENT has been adopted by the undersigned on the day and year first above written.

MEMPHIS LIGHT, GAS & WATER DIVISION

By: _____
Herman Morris, President
and Chief Executive Officer

A&L NETWORKS-TENNESSEE, LLC

By: _____
George A. Lowe, II, Manager

Exhibit C

Memphis Networx Organizational Costs Summary

Costs incurred through 11/4/99

	Total Costs
Costs Before RFP Issued 9/20/98	$ 129,000.00
Costs in Response to RFP 09/21/98 - 12/1/98	124,497.28
Negotiations for Award 12/02/98 - 03/08/99	205,802.24
Costs to Operating Agreement 05/15/99 - to	2,095,843.38
Total expenses incurred	$2,555,142.90
MLGW portion of above (50%)	$1,277,571.45
Less ADL fees paid by MLGW	450,000.00
Less legal fees paid by MLGW	119,795.99
Amount due A&L Underground, Inc.	$ 707,775.46

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DIVISION OF LOCAL FINANCE
SUITE 500 JAMES K. POLK STATE OFFICE BUILDING
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-0274
PHONE (615) 741-4276
FAX (615) 532-9237

November 24, 1999

Mr. John McCullough
Vice-President, Finance and
Chief Financial Officer
Memphis Light, Gas and Water Division
PO Box 430
Memphis, Tennessee 38101-0430

Dear Mr. McCullough:

You have submitted letters dated September 30, 1999, and November 19, 1999, together with supporting documentation, concerning a plan which has been approved by the Board of Commissioners of the Memphis Light, Gas and Water Division to develop, construct and operate a telecommunications system pursuant to the authority of Tennessee Code Annotated, Title 7, Chapter 52, Part 401. Title 7, Chapter 52, Part 402(2) provides that inter-division loans may be executed to provide funds for such projects, and requires that such loans be approved in advance by this office. Pursuant to this requirement, you have requested approval for the execution of an inter-division loan in the amount of $5,300,000 from the Electric Division to the Telecommunications Division of the Memphis Light, Gas and Water Division. The information you have submitted provides that the loan will be completely repaid in approximately six (6) years, and that the rate of interest on the loan will not be less than the highest rate earned on invested electric system funds, as required by Title 7, Chapter 52, Part 402(2).

Title 7, Chapter 52, Part 103(d) provides that a municipality, acting through the supervisory board of its municipal electric system, may enter into a joint venture with a third party for this type of project, provided that any contracts or agreements with such third parties are first approved by the Tennessee Regulatory Authority (TRA). You have advised us that since this project involves such a joint venture, this plan will be submitted to the TRA for their review and approval in accordance with this statute.

Subject to your receipt of approval for this project by the Tennessee Regulatory Authority, as required by Title 7, Chapter 52, Part 103(d), this constitutes approval by this office, pursuant to Title 7, Chapter 52, Part (402)(2), for an inter-division loan in an amount not to exceed $5,300,000 from the Electric Division to the Telecommunications Division of the Memphis Light, Gas and Water Division. We are hereby requesting that you provide this office with a copy of the report issued by the Tennessee Regulatory Authority.

Sincerely,

David H. Bowling
Acting Director

Charlotte

Tennessee Valley Authority, 50 North Front Street, Memphis, Tennessee 38103-2196

November 9, 1999

Mr. John McCullough
Secretary-Treasurer and Chief Financial Officer
Memphis Light, Gas and Water Division
Post Office Box 430
Memphis, Tennessee 38101-0430

Dear John:

This is in response to your September 30, 1999 letter regarding the inter-division loan to the Telecommunications Division. TVA has reviewed this matter and we have no objections under the Power Contract.

If you have any questions regarding this matter, please feel free to call me.

Sincerely,

William L. Taylor
Senior Customer Service Manager