



Meade County RECC

P.O. Box 489
Brandenburg, KY 40108-0489
(270) 422-2162
Fax: (270) 422-4705

May 4, 2007

RECEIVED

MAY 08 2007

PUBLIC SERVICE
COMMISSION

Beth A. O'Donnell, Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
P. O. Box 615
Frankfort, KY 40602

Dear Ms. O'Donnell:

Attached is an original and five (5) copies of Meade County's response to the Commission Staff's "Second Data Request" in Case No 2006-00500.

If you need further information, please contact me at 270-422-2162 ext. 3127.

Sincerely,

Burns E. Mercer
President and CEO

Enclosures

RECEIVED

MAY 08 2007

PUBLIC SERVICE
COMMISSION

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

CASE NUMBER 2006-00500

RESPONSE TO

SECOND DATA REQUEST OF

COMMISSION STAFF

Original

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
CASE NO. 2006-00500
SECOND DATA REQUEST OF COMMISSION STAFF

Q 1. Refer to the application, Exhibit H-1, the Testimony of Burns E. Mercer, page 2. Mr. Mercer states that Meade requested a 2.0 TIER in its last rate case and that Meade's equity still declined. He states that they are of the opinion that Meade will see some modest correction in the direction of its equity if it once again receives a TIER of 2.0. Explain the additional measures Meade is implementing to prevent a further decline in equity.

A. First, since our last rate case interest rates have seen a steady rise.

I believe this interest rate increase will stabilize in the near future which would help us reach our TIER goal and also halt the decline in our equity.

Additional measures to implement a further decline in equity would include:

- a. A leveling off of our borrowing for plant additions and improvements.
- b. Consideration of putting on hold retirements of general capital credits.

WITNESS: Burns E. Mercer

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
CASE NO. 2006-00500
SECOND DATA REQUEST OF COMMISSION STAFF

Q 2. Refer to the Application, Exhibit K, pages 3, 6 and 7 of 7. Provide an updated version of these pages showing the operational results for calendar year 2006.

A. An updated version of pages 3, 6 and 7 of Exhibit K is attached as pages 2 through 4 of this item.

Witness: Jim Adkins

Meade County Rural Electric
Case No. 2006-00500
Computation of Rate of Return
December 31, 2006

	Calendar Year					
	Updated 2006	1st 2005	2nd 2004	3rd 2003	4th 2002	5th 2001
Net margins	\$1,002,064	\$1,275,085	\$1,306,875	\$1,231,132	\$1,301,542	\$1,582,741
Interest on long-term debt	1,990,026	1,808,023	1,404,391	1,536,005	1,581,326	1,586,100
Total	2,992,090	3,083,108	2,711,266	2,767,137	2,882,868	3,168,841
Net rate base	61,185,529	56,003,102	53,480,994	49,687,602	46,884,826	44,459,524
Rate of return	4.89%	5.51%	5.07%	5.57%	6.15%	7.13%

	Calendar Year					
	Test Year 2006	1st 2005	2nd 2004	3rd 2003	4th 2002	5th 2001
Return excluding G & T patronage dividends:						
Net margins	\$1,002,064	\$1,275,085	\$1,306,875	\$1,231,132	\$1,301,542	\$1,582,741
G & T patronage dividends	-	-	-	-	-	-
Interest on long-term debt	1,990,026	1,808,023	1,404,391	1,536,005	1,581,326	1,586,100
Total	2,992,090	3,083,108	2,711,266	2,767,137	2,882,868	3,168,841
Net rate base	61,185,529	56,003,102	53,480,994	49,687,602	46,884,826	44,459,524
Rate of return, excluding G & T	4.89%	5.51%	5.07%	5.57%	6.15%	7.13%

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**Meade County Rural Electric
Case No. 2006-00500
TIER and DSC Calculations**
December 31, 2006

	Updated 2006	Calendar Year				
		1st 2005	2nd 2004	3rd 2003	4th 2002	5th 2001

TIER calculations:

Margins, excluding G&T
capital credits
Interest on long term debt

\$1,002,064	\$1,275,085	\$1,306,875	\$1,231,132	\$1,301,542	\$1,582,741
1,990,026	1,808,023	1,404,391	1,536,005	1,581,326	1,586,100

Modified TIER

1.50	1.71	1.93	1.80	1.82	2.00
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Margins, including G&T
capital credits
Interest on long term debt

\$1,002,064	\$1,275,085	\$1,306,875	\$1,231,132	\$1,301,542	\$1,582,741
1,990,026	1,808,023	1,404,391	1,536,005	1,581,326	1,586,100

TIER

1.50	1.71	1.93	1.80	1.82	2.00
------	------	------	------	------	------

DSC calculations:

DSC = ((Margins + depreciation + interest)
/ (interest + principal payments))

Margins, excluding G&T
capital credits
Depreciation expense
Interest on long term debt
Principal payment on
long term debt

\$1,002,064	\$1,275,085	\$1,306,875	\$1,231,132	\$1,301,542	\$1,582,741
2,497,883	2,318,515	2,176,160	2,069,065	2,000,863	1,875,298
1,990,026	1,808,023	1,404,391	1,536,005	1,581,326	1,586,100
2,159,575	2,040,521	1,406,697	772,795	830,868	675,934

Modified DSC

<u>1.32</u>	<u>1.40</u>	<u>1.74</u>	<u>2.09</u>	<u>2.02</u>	<u>2.23</u>
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Margins, including G&T
capital credits
Depreciation expense
Interest on long term debt
Principal payment on
long term debt

\$1,002,064	\$1,275,085	\$1,306,875	\$1,231,132	\$1,301,542	\$1,582,741
2,497,883	2,318,515	2,176,160	2,069,065	2,000,863	1,875,298
1,990,026	1,808,023	1,404,391	1,536,005	1,581,326	1,586,100
2,159,575	2,040,521	2,023,252	772,795	830,868	675,934

DSC

<u>1.32</u>	<u>1.40</u>	<u>1.43</u>	<u>2.09</u>	<u>2.02</u>	<u>2.23</u>
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**Meade County Rural Electric
Case No. 2006-00500
Equity Capitalization
December 31, 2006**

	Proposed	Calendar Year				
		Updated 2006	2005	2004	2003	2002

**Equity Capitalization:
without G&T patronage capital**

Total margins and equities	\$22,315,835	\$20,256,300	\$19,997,594	\$19,208,836	\$18,470,849	\$17,766,967	\$16,851,711
Less G&T Patronage capital	-	-	-	-	-	-	-
Long-term debt	22,315,835	20,256,300	19,997,594	19,208,836	18,470,849	17,766,967	16,851,711
	45,504,316	45,504,316	41,071,945	38,956,192	36,164,171	36,151,909	32,372,777
Total	\$67,820,151	\$65,760,616	\$61,069,539	\$58,165,028	\$54,635,020	\$53,918,876	\$49,224,488

Equity capitalization ratio

33% 31% 33% 33% 34% 33% 34%

**Equity Capitalization:
with G&T patronage capital**

Total margins and equities	\$22,315,835	\$20,256,300	\$19,997,594	\$19,208,836	\$18,470,849	\$17,766,967	\$16,851,711
Long-term debt	45,504,316	45,504,316	41,071,945	38,956,192	36,164,171	36,151,909	32,372,777
Total	\$67,820,151	\$65,760,616	\$61,069,539	\$58,165,028	\$54,635,020	\$53,918,876	\$49,224,488

Equity capitalization ratio

33% 31% 33% 33% 34% 33% 34%

**Equity to Total Assets:
with G&T patronage capital**

Total margins and debt	\$67,820,151	\$65,760,616	\$61,069,539	\$58,165,028	\$54,635,020	\$53,918,876	\$49,224,488
Total assets	71,908,668	70,253,988	65,231,752	61,916,128	58,600,742	58,265,269	52,243,971
Total	\$139,728,819	\$136,014,604	\$126,301,291	\$120,081,156	\$113,235,762	\$112,184,145	\$101,468,459

Equity to total asset ratio

49% 48% 48% 48% 48% 48% 49%

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
CASE NO. 2006-00500
SECOND DATA REQUEST OF COMMISSION STAFF

Q 3. Refer to the Application, Exhibit N, page 10 of 14, Off Balance Sheet Risk.

a. Explain why Meade has deposits in certain financial institutions in excess of the \$100,000 Federal Deposit Insurance Corporation insured limit.

b. Refer to the Application, Exhibit U, page 2 of 4, point y. Is the situation described in Exhibit N, page 10 of 14, in conflict with the policy statement in Exhibit U? Explain your response.

- A. 3a. Meade utilizes "local banks" to deposit customer receipts for those areas. These funds are typically transferred to our main account in a fairly short time period. All these financial institutions are insured by the Federal Deposit Insurance Corp.
- 3b. No, because our policy allows us to deposit funds that are federally insured. It does not prohibit us from going over the \$100,000 insurance limit.

WITNESS: Burns E. Mercer

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
CASE NO. 2006-00500
SECOND DATA REQUEST OF COMMISSION STAFF

Q 4. Refer to the Application, Exhibit N, page 14 of 14, Related Party

Transactions. Meade has disclosed that it paid the son of one of its directors to pave the parking lot of a district office.

a. Describe the process utilized by Meade to select the individual or firm to perform the paving project.

b. Were competitive bids sought for this paving project?

(1) if yes, provide a copy of the bid proposal and a summary of the bids received.

(2) If no, explain why this project was not competitively bid.

c. Was the director involved in any way in the review or evaluation of bids, the selection of the vendor, or any other step in the process utilized in securing the paving project? Explain the response.

- A. 4a. Three contractors were verbally contacted for bids. Each contractor met individually on site with the owner representative to discuss, understand and view the scope of work. Bids were submitted by each contractor and management evaluated the bids awarding the bid to the contractor who submitted the best value bid i.e. for base cost and extras.
- 4b. Yes. Copies attached as pages 2 through 4 of this item.
- 4c. No.

Witness: Burns E. Mercer

75399

RHODES PAVING

BOBBY JOE RHODES
HC 60, BOX 4A Hamed, KY 40144
(502) 756-2689

PROPOSAL SUBMITTED TO:

Meadow B. R.E.C.C.
David Hall

DATE:

PROJECT:

June 19 2006

Working lot at
Manufacturing Office

We offer a Bid of \$ 40,300.00 to furnish all labor and materials to pave an area of approximately 4165 square yards.

SPECIFICATIONS

- Sweep Area to be Paved
- Excavation
- Shape and Roll
- Reset MH/CB
- Wedge and/or Pre-Batch
- Construct inch DGA Base
- Tack

- Prime
- Pave with 3 inch Compact Asphalt Binder
- Pave with 2 inch Compact Asphalt Surface
- Pave with
- Construct 190 L.F. Asphalt Curb
- Paint Parking Lines
- Seal

Special Conditions: any DGA needed will be \$9.50 ton

will be able to start work by July 10 2006

All work to be performed in a workmanlike manner.
PAYMENT TO BE MADE TO CONTRACTOR UPON RECEIPT OF BILLING.
This Proposal to hold firm for a period of from date.

Bid subject to escalation due to possible cost changes beyond our control. Asphalt price based on posted Liquid A.C. price of \$ per ton.

RHODES PAVING, INC.
By: [Signature]
Contractor

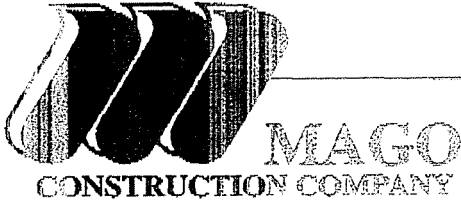
ACCEPTANCE OF PROPOSAL

The Prices, Specifications and Conditions as outlined hereon are satisfactory and hereby accepted: Payment to be made as specified above. Past due accounts will receive a 1.5% per month finance charge which is an annual percentage rate of 18%.

ACCEPTED:

DATE:

BY: [Signature]



1551 E. JOHN ROWAN BLVD.
 P.O. BOX 669 • BARDSTOWN, KY • 400
 (502) 348-3953 • FAX: (502) 348-0440

PROPOSAL

NAME: David Pace	PAGE:	1 of 1
Meade Co. RECC	DATE:	6/21/2006
ADDRESS: P.O. Box 489	PHONE:	270-422-2162
Brandenburg, Ky. 40108-0489	FAX:	270-422-4705
	CELL:	270-547-8144
JOB NAME AND LOCATION: Paving Lot @ Hardinsburg Office		
Old US 60		

We hereby submit specifications and estimates, subject to all terms and conditions as set forth below, as follows:

Place Bit Base on north side of new building for driveway (HD) and parking area (LD), around garage/storage building (HD) in back, and in driveway between poles (HD). Areas around poles, patch work near new driveway, and trench repair are included as needed. These areas will then be surfaced, as well as a tie in to Old US 60 in front of the new parking area. Price includes minor grading and compacting of areas to receive Bit Base. The work as outlined requires approximately 525 tons Bit Base and 300 tons Bit Surface. These items are priced by the ton and final price will be based on tons actually used not to exceed amount shown, unless a change in the scope of work is agreed to by all parties. HD is figured on 3" Base and LD is figured for 2" Base.

Cost to perform this work is:

Bit Base – 525 tons @ \$53.00 =	\$27,825.00
Bit Surface – 300 tons @ \$57.00 =	\$17,100.00
TOTAL =	\$44,925.00
DGA per ton if needed for prep	\$15.00 per ton
Bit Wedge Curb per ft. (if needed) – approx 200 LF	\$10.00 per Lin Ft

The unit prices for Bit Base and Surface are good through July 31, 2006. If the work is done after this date these unit prices may need to be adjusted due to price increases in liquid asphalt.

All invoices are due upon receipt. Any invoices not paid within 30 days will be subject to a service charge of 1 1/2% per month.

LIMITED WARRANTY: We guarantee all work against defects in workmanship and materials for 1 year from date of installation under normal conditions. It should be noted that surface scuff marks may occur until the new material is fully cured.

WE ARE NOT RESPONSIBLE FOR PAVEMENT FAILURE DUE TO FAULTY OR SOFT SUBGRADE.

Date: 6-21-06 Authorized Signature: Tom Steller
 Tom Steller, P.E. / Mago Construction Co.

ACCEPTED: The above prices, specifications, and conditions are satisfactory and are hereby accepted. You are authorized to do the work as specified. Payment will be made as outlined above.

Date: _____ Signature: _____

756-5838

ALLEN PAVING COMPANY

INCORPORATED

P.O. Box 317 HARDINSBURG, KENTUCKY 40143

Commercial and Industrial Paving

FAX: (270) 7569874

June 14, 2006

Meade County BECC
P.O. Box 489
Brandenburg, Ky. 40106

Attn: Tim GOSSETT

PROJECT: Meade County BECC parking lot - Hardinsburg, Kentucky .

Heavy Duty Paving
3" Base
1 1/2" Surface

Light Duty Paving
2" Base
1 1/2" Surface

Resurfacing
1 1/2" Surface

Approximately 632 tons for the sum of \$39,500.00 .

DGA stone delivered, placed and rolled for \$16.00/ton

Sincerely,

Kenneth A. Allen
Vice President

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
CASE NO. 2006-00500
SECOND DATA REQUEST OF COMMISSION STAFF

Q 5. Refer to the Application, Exhibit R.

a. Provide an Excel copy of the cost-of service study with all formulas intact.

Response:

Accompanying this filing is a CD with an Excel copy of the cost-of-service study.

b. Refer to page 14 of 29. The column labeled "Demand" under Rate 3R has number signs in the "Total Costs" row and "Total Revenue Requirements from Rates" row. Provide a copy with legible numbers.

Response:

Attached as page 2 of this item is a reprint of original Exhibit R, page 14.

Witness: Jim Adkins

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
CASE NO. 2006-00500
SECOND DATA REQUEST OF COMMISSION STAFF

Q 6 Refer to the Application, Exhibit W. For each balance sheet account listed below, describe the reason(s) for the change in the account balance between the test year and the previous 12-month period.

- a. Account No. 370 - Meters - Distribution, page 1 of 12
- b. Account No. 390 - Structures and Improvements, page 1 of 12
- c. Account No. 107 - CWIP-Cont., page 2 of 12.
- d. Account No. 109 - Depreciation Poles and Towers, page 4 of 12
- e. Account No. 131 - Money Market Fund Farmers Bank, page 6 of 12.
- f. Account No. 219 - Operating margins plus, page 9 of 12.
- g. Account No. 224 - rea Notes Executed, page 9 of 12.
- h. Account No. 225 - REA\FFB Executed Debit, page 9 of 12.
- i. Account No. 236 - Accrued Property Tax, page 9 of 12.

- A.
- 6a. MCRECC is in the process of changing the customer metering system from a manual system to an automated system. This process requires the retrofitting of old meters to enable the meter to automatically report readings or to replace meters that can not be retrofitted.
 - 6b. A new branch office was constructed in the Hardinsburg district.
 - 6c. "This account includes the total of balances of work orders for electric plant in process of construction.
Work orders are cleared from this account as soon as practicable, after completion of the job." per Uniform System of Accounts - Electric, Bulletin 1767B-1
 - 6d. This account is credited with the following:

Amounts charged to Account 403.600, Depreciation Expense,
or to clearing accounts for current depreciation expense for
electric plant in service applicable to poles. At the time of retirement,
this account is charged with the book cost of the property retired and the
cost of removal. It is credited with any salvage value for recovered property.

Per Uniform System of Accounts - Electric, Bulletin 1767B-1

- 6e. This account includes funds received at the branch office for payment of electric bills.

Funds are transferred as needed to the Meade County Bank, general
account.

- 6f. This account includes the total amount of margins and equities from all sources.

Per Uniform System of Accounts - Electric, Bulletin 1767B-1

- 6g. The spread sheet column in Exhibit W was not wide enough to display the
account number, REA Notes Executed Construction Debit, 224.400.

This is a subaccount of account 224.000, Other Long-Term Debt.

This account includes the total amount of unadvanced RUS loans for construction
purposes, which are covered by executed notes. When advances are received from
RUS for construction, this account is credited and cash is debited.

Per Uniform System of Accounts - Electric, Bulletin 1767B-1

- 6h. What appears on Exhibit W as account 225 is actually account 224.600

Advanced Payment Unapplied LTD. This account includes principal payments
on mortgage notes paid in advance of the date due and not applied to a specific
note. Also, included in this account is interest savings which are accrued and
added to the advance payment unapplied.

At such time as these payments are applied to a specific note or loan balance,
this account is credited and the long-term debt account debited with the amount so

applied. Per Uniform System of Accounts - Electric,

A copy of Exhibit W, page 9 of 12, with expanded columns is attached to this item.

6i. Account 236, Accrued Property Tax is shown on Exhibit W, page 10 of 12.

This account is credited with the amount of estimated taxes accrued monthly and debited with the amount of payments to various taxing districts.

Witness: Karen Brown

Account Title	Acct. #	November 1st Month	December 2nd Month	January 3rd Month	February 4th Month	March 5th Month	April 6th Month	May 7th Month	June 8th Month	July 9th Month	August 10th Month	September 11th Month	October 12th Month
Patronage Capital - Assignable	201.200			(1,275,085)									
Prior year Change		(77,784)	(77,784)	(77,784)	(77,784)	(77,784)	(77,784)	(77,784)	(77,784)	(77,784)	(77,784)	(77,784)	(77,784)
Operating Margins	219.100												
Prior year Change		(1,907,551)	(1,680,753)	(1,689,324)	(1,945,413)	(1,978,914)	(1,978,914)	(1,988,773)	(2,018,796)	(2,045,293)	(2,068,275)	(2,094,064)	(2,122,927)
Operating Margins - plus current year	219.200	(1,686,872)	(240,955)	(5,415)	(1,700,705)	(1,719,622)	(1,731,355)	(1,744,375)	(1,758,169)	(1,770,593)	(1,850,981)	(1,865,329)	(1,902,440)
Prior year Change		(240,678)			(244,708)	(254,867)	(247,559)	(245,398)	(260,628)	(274,699)	(217,293)	(208,735)	(220,487)
Donated Capital	208.000												
Prior year Change		(20,431)	(17,890)	(2,727)	(17,688)	(2,328)	(2,198)	(2,197)	(20,940)	(19,829)	(21,603)	(21,564)	(21,565)
Retired Capital Credits - Gains	217.000												
Prior year Change		(674,217)	(635,631)	(34,042)	(687,473)	(666,342)	(688,303)	(666,142)	(665,842)	(665,533)	(665,505)	(664,789)	(664,135)
Total Other Equities	11/05 - 10/11/04 - 10/	(637,301)	(35,633)		(634,995)	(634,378)	(32,394)	(32,429)	(633,700)	(632,813)	(631,115)	(627,945)	(635,498)
Prior year Change		(36,917)			(32,478)	(31,964)			(32,142)	(32,719)	(34,350)	(36,845)	(28,638)
Operating Margins Current Year	11/05 - 10/11/04 - 10/	(694,649)	(651,681)	(669,646)	(687,489)	(686,217)	(686,174)	(686,043)	(686,042)	(685,712)	(687,109)	(686,353)	(685,701)
Prior year Change		(655,159)	(38,360)	(36,541)	(652,683)	(652,051)	(651,592)	(651,386)	(654,641)	(653,722)	(651,939)	(648,485)	(655,977)
Operating Margins Current Year	11/05 - 10/11/04 - 10/	(1,123,126)	(1,034,110)	(1,083,551)	(1,150,226)	(1,150,226)	(1,150,226)	(1,150,226)	(1,150,226)	(1,150,226)	(1,150,226)	(1,150,226)	(1,150,226)
Prior year Change		(231,924)	49,441	(425,689)	8,572	48,258	7,120	310,153	286,457	416,487	499,289	350,935	637,781
Total Margins & Equities	11/05 - 10/11/04 - 10/	(20,102,951)	(19,997,594)	(19,403,636)	(19,823,915)	(19,639,921)	(19,539,933)	(19,539,933)	(19,539,933)	(19,539,933)	(19,539,933)	(19,539,933)	(19,539,933)
Prior year Change		(19,469,632)	(19,208,657)	(18,768,757)	(18,526,080)	(18,526,080)	(18,526,080)	(18,526,080)	(18,526,080)	(18,526,080)	(18,526,080)	(18,526,080)	(18,526,080)
Other Long-Term Debt CFC	224.120												
Prior year Change		(17,666,368)	(19,392,702)	1,706,335	(17,625,699)	(17,625,699)	(17,625,699)	(17,625,699)	(17,625,699)	(17,625,699)	(17,625,699)	(17,625,699)	(17,625,699)
FFB Long Term Debt - Executed	224.151												
Prior year Change		(10,411,293)	(10,568,627)	1,066,335	(10,358,894)	(10,358,894)	(10,358,894)	(10,358,894)	(10,358,894)	(10,358,894)	(10,358,894)	(10,358,894)	(10,358,894)
Long Term Debt REA Const Notes E	224.300												
Prior year Change		(19,650,381)	(19,741,533)	117,040	(19,596,238)	(19,722,532)	(19,717,165)	(19,709,272)	(19,524,729)	(19,506,297)	(19,689,987)	(19,685,531)	(19,670,352)
REA Notes Executed Const Debt	224.400												
Prior year Change		6,000,000	10,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Advanced Payment Unapplied LTD	224.600												
Prior year Change		814,286	764,670	725,732	476,446	289,396	203,260	133,603	809,187	729,593	647,296	424,977	317,094
Total Long Term Debt	11/05 - 10/11/04 - 10/	(40,933,756)	(41,071,945)	(41,120,893)	(41,104,365)	(41,235,664)	(41,284,956)	(42,806,145)	(42,053,194)	(42,114,357)	(42,118,165)	(45,265,135)	(45,351,326)
Prior year Change		(39,636,890)	(38,956,192)	(2,130,535)	(38,982,028)	(39,073,079)	(39,106,965)	(39,615,483)	(39,740,261)	(41,784,057)	(40,774,152)	(40,906,944)	(40,947,307)
ACC PROV FOR PENSIONS & BEN	228.300												
Prior year Change		(435,826)	(446,138)	(449,852)	(455,915)	(465,799)	(471,987)	(478,048)	(484,112)	(490,174)	(499,933)	(505,843)	(511,752)
		(351,717)	(356,259)	(356,259)	(354,210)	(352,162)	(356,495)	(366,953)	(377,411)	(387,926)	(398,668)	(415,192)	(425,509)
		(84,109)	(87,831)	(93,594)	(101,705)	(113,636)	(115,491)	(111,096)	(106,700)	(102,249)	(101,264)	(90,651)	(86,244)

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
CASE NO. 2006-00500
SECOND DATA REQUEST OF COMMISSION STAFF

Q 7. Refer to the Application, Exhibit X. For each of the income statement accounts listed below, describe the reason(s) for the change in the account balance between the test-year-end balance and the balance for the previous 12 months.

- a. Account No. 417.001 - Revenue - Wildblue, page 1 of 14.
- b. Account No. 419.000 - Interest & Dividend Income, page 2 of 14.
- c. Account No. 427.100 - Interest on REA Const. Loan, page 3 of 14.
- d. Account No. 593.000 - Maintenance Overhead lines, page 6 of 14.
- e. Account No. 593.200 - Maintenance - chemicals, page 6 of 14.
- f. Account No. 593.400 - Maintenance - Service Orders, page y of 14.
- g. Account No. 902.000 - Meter Reading Expenses, page 7 of 14.
- h. Account No. 908.000 - Customer Assistance Expense, page 10 of 14.
- i. Account No. 920.000 - Administrative & General Salaries, page 11 of 14.

A. 7a. Account No. 417.001 - Revenue in Wildblue. Operations for Wildblue began in August 2005. Therefore, only three months of revenue are available for the prior year.

7b. Account No. 419.000 - Interest & Dividend Income.
Interest rates paid by financial institutions improved in 2006 over 2005 rates of return.

7c. Account No. 427.100 - Interest on REA Const. Loan.
Additional loan funds were drawn down from RUS as follows:
\$3,000,000 May 2006 with a fixed interest rate of 5.06%
\$3,000,000 September 2006 with a fixed interest rate of 4.79%

7d. Account No. 593.000 - Maintenance Overhead lines, page 6 of 14.
See response to Attorney General's Initial Request for Information Item No.7.

7e. Account No. 593.200 - Maintenance - chemicals

See response to Attorney General's Initial Request for Information Item No.7.

7f. Account No. 593.400 - Maintenance - Service Orders

A large part of the costs is due to employees time recorded in this account, along with benefits and transportation costs. It is expected that this will be continued in future years.

7g. Account No. 902.000 - Meter Reading Expenses

The decrease represents a decline in the amount paid to a contractor to read customer meters monthly. Meade had approximately 10,000 meters left to install at the end of the test year. As AMR's are installed Meade will be required to have meters read on an annual basis therefore, meter reading expense is expected to continue in the future.

7h. Account No. 908.000 - Customer Assistance Expense

The account total for this account should be \$92,881 instead of \$9,669 resulting in the change between the test year and the prior year of \$16,061.

A large part of the costs is due to employees time recorded in this account, along with benefits and transportation costs. It is expected that this will be continued in future years.

7i. Account No. 920.000 - Administrative & General Salaries

A large part of the costs is due to employees time recorded in this account, along with benefits and transportation costs. It is expected that this will be continued in future years.

Witness: Karen Brown

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
CASE NO. 2006-00500
SECOND DATA REQUEST OF COMMISSION STAFF

Q 8. Refer to the Application, Exhibit 1, pages 6 through 8 of 8.

a. Explain the nature and purpose of the Performance Bonuses and the unused Sick Pay.

b. Explain how Meade determines the eligibility for Performance Bonuses.

c. Are Performances Bonuses a type of incentive that all employees are eligible to receive?

d. Explain why the test-year amounts for Performances Bonuses and Unused Sick Pay were used in calculating the normalized wages.

A 8a. MCRECC's performance bonus plan rewards our employees based upon three factors which our Board of Directors thinks is important to providing quality electric service. Those three factors are:

- a. Cost of service
- b. Customer Satisfaction
- c. Reliability of service

Unused sick pay: in an effort to cut down on absenteeism the board of directors authorized the payment of a portion of the employees unused sick pay.

8b. All employees are eligible for the performance bonus if they are employed on the date of payment, have performed in a satisfactory manner throughout the year and are not on a leave of absence.

8c. Yes, all employees are paid the same amount based on the total company performance on the three goals outlined in 8a.

8d. They are used in calculating normalized wages because we hope to achieve the same or better levels of performance bonuses and unused sick pay in the future.

Witness: Burns E. Mercer

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
CASE NO. 2006-00500
SECOND DATA REQUEST OF COMMISSION STAFF

Q 9. Refer to the Application, Exhibit 3. Was any consideration given to performing a depreciation study in conjunction with this rate case? Explain the response.

Response:

Yes. Meade County reviewed its reserve ratio, the ratio of current distribution plant to distribution plant 10 years prior, and the trend of the reserve ratio.

Based on the Depreciation Guideline Curve information presented in the Application, Exhibit 3, page 4 of 6, the ratios plot to the Optimum Curve.

Based on these reviews, it appeared the ratios were remaining steady, and that a depreciation study would not be required as part of this Application.

Meade County reviews its depreciation and ratios on an annual basis.

Witness: Jim Adkins

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
CASE NO. 2006-00500
SECOND DATA REQUEST OF COMMISSION STAFF

Q 10. Refer to the Application, Exhibit 5, pages 2 and 4 of 4.

a. Provide a revised copy of the exhibit updating the interest rates through April 30, 2007 for all debt.

b. Refer to page 2 of 4. Indicate whether the loans have fixed interest rates or variable interest rates.

A. Attached as page 2 of this item is an update to Exhibit 5, page 2. All MCRECC long-term loans are for fixed rate terms.

MCRECC has no short term loans.

Witness: Karen Brown

Meade County Rural Electric
Case No. 2006-00500
Schedule of Outstanding Long-Term Debt
October 31, 2006

Exhibit 5
page 2 of 4
Format 8a
Schedule 2

Type of Debt Issued (a)	Date of Issue (b)	Date of Maturity (c)	Outstanding Amount (d)	Cost Rate to Maturity (g)	Annualized Cost Col (d)x(g) (j)	Test Year Interest Cost	
RUS loans							
0B180	Sep-72	Sep-07	6,195	2.000%	124	186	LT Fixed
0B182	Sep-72	Sep-07	6,189	2.000%	124	186	LT Fixed
1B290	Jun-97	May-32	923,179	4.500%	41,543	41,811	LT Fixed
1B291	Jun-97	May-32	1,130,432	4.500%	50,869	51,198	LT Fixed
1B295	Jun-97	May-32	1,980,359	4.875%	96,543	97,477	LT Fixed
1B310	Oct-03	Sep-38	2,520,834	4.670%	117,723	118,508	LT Fixed
1B311	Oct-03	Sep-38	2,953,335	4.180%	123,449	124,355	LT Fixed
1B312	Oct-03	Sep-38	1,970,668	4.490%	88,483	89,095	LT Fixed
1B313	Oct-03	Sep-38	1,969,427	4.440%	87,443	88,071	LT Fixed
1B314	Oct-03	Sep-38	2,984,750	5.060%	151,028	62,928	LT Fixed
1B315	Oct-03	Sep-38	2,996,905	4.790%	143,552	21,752	LT Fixed
Advance payment			(317,034)				
			<u>19,125,239</u>		<u>900,881</u>	<u>695,567</u>	
FFB loans							
H0010	Mar-98	Mar-33	395,783	6.049%	23,941	22,706	LT Fixed
H0015	Sep-00	Sep-35	1,178,883	4.474%	52,743	49,792	LT Fixed
H0020	Sep-02	Sep-37	1,815,052	2.707%	49,133	46,524	LT Fixed
H0025	Sep-02	Sep-37	1,829,024	3.250%	59,443	56,230	LT Fixed
F0030	Mar-03	Mar-38	4,968,455	2.815%	139,862	132,407	LT Fixed
			<u>10,187,197</u>		<u>325,123</u>	<u>307,658</u>	
CFC loans							
9001	Jul-74	Jul-09	6,574	7.00%	460	637	LT Fixed
9002	Jun-74	Jun-09	52,858	7.00%	3,700	4,290	LT Fixed
9005	Dec-75	Dec-10	78,623	5.70%	4,482	4,935	LT Fixed
9007	Jun-77	Jun-12	102,418	7.00%	7,169	6,616	LT Fixed
9009	Jun-78	Jun-13	117,114	5.75%	6,734	7,131	LT Fixed
9011	Sep-79	Sep-14	346,064	5.75%	19,899	20,852	LT Fixed
9015	Dec-81	Dec-16	298,719	5.75%	17,176	17,776	LT Fixed
9016	Jun-89	Jun-24	536,463	7.00%	37,552	32,981	LT Fixed
9017	Mar-92	Mar-27	594,387	5.75%	34,177	34,718	LT Fixed
9019	Dec-93	Dec-28	707,327	7.00%	49,513	46,350	LT Fixed
9020	Dec-93	Dec-28	1,169,256	5.75%	67,232	67,960	LT Fixed
9021	Dec-93	Dec-28	1,749,510	6.90%	120,716	121,544	LT Fixed
9022004	Aug-04	May-07	1,468,511	3.55%	52,132	52,132	LT Fixed
9022005	Aug-04	May-08	1,468,511	4.05%	59,475	59,475	LT Fixed
9022006	Aug-04	May-09	1,468,511	4.80%	70,489	70,489	LT Fixed
9022007	Aug-04	May-10	1,468,511	7.00%	102,796	102,796	LT Fixed
9022008	Aug-04	May-11	1,468,511	7.00%	102,796	102,796	LT Fixed
9022009	Aug-04	May-12	1,468,511	7.00%	102,796	102,796	LT Fixed
9022010	Aug-04	May-13	1,468,511	7.00%	102,796	102,796	LT Fixed
			<u>16,038,890</u>		<u>962,089</u>	<u>959,069</u>	
Total long term debt and annualized			<u>45,351,326</u>		<u>2,188,093</u>	<u>1,962,294</u>	
Annualized cost rate [Total Col. (j) / Total Col. (d)]					4.82%		
Actual test year cost rate [Total Col (k) / Total Reported in Col (d)]					4.33%		

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
CASE NO. 2006-00500
SECOND DATA REQUEST OF COMMISSION STAFF

Q 11. Refer to the Application, Exhibit 9, page 2 of 6. Concerning Meade's legal expenses:

- a. Provide a copy of the written agreement with the law firm. If no written agreement exists, explain why Meade does not have one.
- b. Explain in detail why expenses for attendance at the National Rural Electric Cooperative Association's ("NRECA") annual meeting and magazine subscriptions for the attorney should be included for rate-making purposes, given the attorney is compensated by a retainer and normal hourly billed rate.
- c. For the following transactions, explain if the transaction is recurring and why it should be included for rate-making purposes.
 - (1) Page 2 of 6, line 25 - Legal fees for Privacy Act, pole damage, others.
 - (2) Page 2 of 6, lines 38, 39, and 41 - general labor matters.
- d. Provide the health insurance premiums Meade paid for its attorney.

A. 11a. Three law firms are included on Exhibit 9, page 2 of 6.

They are:

1. Brite & Butler, PLLC - this firm acts as our general corporate council and Bruce Butler attended corporate board meetings.
2. Frost, Brown & Todd, LLC - this firm handles labor matters for the cooperative.
3. Sullivan, Mountjoy, Stainback & Miller, PSC - this firm is handling a condemnation case for the cooperative.

No written agreement has been obtained from any of the law firms. Our legal matters are of a relatively minor nature and a written agreement has not been deemed necessary.

11b. See response to the Attorney General's Initial Data Request item number 3 and 4.

11c. 1 & 2 Expenses for both these categories were normal recurring attorney fees that we experience on an ongoing basis.

11d. Zero.

WITNESS: Burns E. Mercer

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
CASE NO. 2006-00500
SECOND DATA REQUEST OF COMMISSION STAFF

Q 12. Refer to the Application, Exhibit 10.

a. Provide the name of the NRECA Representative and alternate for Meade.

b. Provide the name of the Kentucky Association of Electric Cooperatives ("KAEC") Representative and alternate for Meade.

c. On page 2 of 11, Meade indicates it has removed \$2,769.98 in life insurance premiums for its directors. On page 3 of 11, Meade provided a schedule that lists health insurance instead of life insurance. Did Meade provide both life and health insurance to its directors during the test year? If yes, provide a schedule showing the premiums for both types of insurance coverage.

A. 12 a & b. See response to AG item number 2.

12 c. No, Exhibit 10, page 3 of 11 was incorrectly headed. Instead of Health Insurance it should have been headed Life Insurance.

Witness: Burns E. Mercer

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
CASE NO. 2006-00500
SECOND DATA REQUEST OF COMMISSION STAFF

Q 13. Refer to the Application, Exhibit 10, page 3 of 11 and Exhibit 9, page 2 of 6
line 29. Explain the differences in the airfare for the attorney and the directors
who attended the NRECA annual meeting.

A The attorney obtained his reservation on a later date and
 the airline charged a different rate.

Witness: Burns E. Mercer

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
CASE NO. 2006-00500
SECOND DATA REQUEST OF COMMISSION STAFF

Q 14. Refer to the Application, Exhibit 10, pages 3 through 10 of 11. concerning

Meade's Directors:

a. Explain the nature and purpose of the following meetings attended by many of the directors. Include a detailed explanation of why each should be included for rate-making purposes. Provide a copy of any meeting material or agendas provided to the attendees.

1. NRECA Region III meeting.

2. NRECA annual meeting.

3. Meeting at Big Rivers.

A. 14 a 1. NRECA Region III Meeting

This is a meeting held yearly among cooperatives in the NRECA Region III which discusses management and board issues as well as electric industry issues which are broad topics of interest at the time. Agenda attachment, pages 2 through 7 of this item

14 a 2. NRECA Annual Meeting

This meeting is devoted to topics of interest in the electric cooperative industry as well as the business meeting necessary to conduct a national associations business. Agenda attachment, pages 8 and 9 of this item.

14 a 3. Big Rivers meeting:

This meeting was held to inform the Big Rivers distribution cooperative board members of Big Rivers on-going discussions with LG&E / EON about the unwind of the Big Rivers lease.

Witness: Burns E. Mercer

NEW DIRECTOR ORIENTATION

(Half-day program – Co-sponsored by NRECA, CFC, NRTC)
Regency V Ballroom (Atlanta Conference Center)

REGISTRATION OPENS (UNTIL 4:30 PM)

Centennial Ballroom Foyer (Ballroom level)

REGION 2 RESOLUTIONS COMMITTEE MEETING

Dunwoody Room (Atlanta Conference Center)

REGION 3 RESOLUTIONS COMMITTEE MEETING

Courtland Room (Atlanta Conference Center)

NRECA PROGRAMS AND SERVICES CENTER

Inman Room (Atlanta Conference Center)

- Executive Search
- Insurance and Financial Services
- National Consulting Group

RUS CONSULTING ROOM

Harris Room (Atlanta Conference Center)

FIRST GENERAL SESSION

Centennial Ballroom III & IV (Ballroom level)

Call to Order

GALEN MILLS, Region 2 Executive
Committeeperson, *presiding*

Welcome

Honorable LISA M. BORDERS,
City Council President, Atlanta, Georgia

Pledge of Allegiance

Invocation

BILL CARPENTER, Director,
Jackson EMC, Jefferson, Georgia

Introduction of Directors and Officers

Announcements

Report of the Chief Executive Officer

GLENN ENGLISH, NRECA CEO

Energy: Today's Business Realities

Moderator: MARY MCLAURY, NRECA

Vice President, Education and Training

DENA STONER, NRECA Vice President,

Government Relations

KIRK JOHNSON, NRECA Executive Director,

Environmental Issues

Refreshment Break

(Sponsored by Federated Rural Electric Insurance Exchange)

Centennial Ballroom Foyer (Ballroom level)

Resolutions Overview & Briefing

Review of Suggested Bylaws Changes

Announcements

Adjourn

NISC DISTRICTS 2 & 3 MEMBERSHIP MEETING

(Immediately Following the General Session)

Courtland Room (Atlanta Conference Center)

**ACTION COMMITTEE FOR RURAL ELECTRIFICATION
(ACRE) BREAKFAST**

(Tickets, \$15, are available at the NRECA Registration Desk)

Centennial Ballroom II (Ballroom Level)

GALEN MILLS, ACRE Georgia Chair

REGISTRATION RE-OPENS (UNTIL 4:00 PM)

Centennial Ballroom Foyer (Ballroom level)

REGION 2 NOMINATING COMMITTEE MEETING

Fairlie Room (Atlanta Conference Center)

REGION 3 NOMINATING COMMITTEE MEETING

Greenbriar Room (Atlanta Conference Center)

NRECA PROGRAMS AND SERVICES CENTER

Inman Room (Atlanta Conference Center)

- Executive Search
- Insurance and Financial Services
- National Consulting Group

RUS CONSULTING ROOM

Harris Room (Atlanta Conference Center)

SECOND GENERAL SESSION

Centennial Ballroom III & IV (Ballroom level)

MARTIN ANDERSON, NRECA Alabama Director,
presiding

Report of USDA Rural Development

JAMES M. ANDREW, Administrator,
Rural Utilities Service

Report of the NRECA President

RONALD R. BERGH, NRECA President
and Alaska Director

NRECA Financial Report

JACK F. WOLFE, JR., NRECA Vice President
and South Carolina Director

Presentation of Educational Certificates

RONALD R. BERGH, NRECA President
and Alaska Director

Refreshment Break

(Sponsored by Federated Rural Electric Insurance Exchange)
Centennial Ballroom Foyer (Ballroom level)

Making Critical Business Decisions

Moderator: MARTIN LOWERY, NRECA Executive
Vice President, External Affairs

MICHAEL H. CORE, President/CEO, Big Rivers
Electric Corporation, Henderson, Kentucky

MICHAEL A. GOODROE, President/CEO, Sawnee
EMC, Cummings Georgia

THOMAS A. SMITH, President/CEO, Oglethorpe
Power Corporation, Tucker, Georgia

Announcements

Adjourn

**FEDERATED RURAL ELECTRIC INSURANCE
EXCHANGE DIRECTOR NOMINATING MEETING**
Centennial Ballroom III & IV (Ballroom level)

The Meeting to nominate two individuals to stand
for election as Directors of Federated Rural Electric
Insurance Exchange, for Region 2 only, will be in the
front of the room following the Second General
Session. Two directors will stand for election "at
large" at the Annual Membership Meeting of the
Exchange, March, 2007, Las Vegas, Nevada.

GENERAL MEMBERSHIP LUNCHEON

(Tickets, \$35, available at NRECA Registration Desk)
Centennial Ballroom II (Ballroom Level)

TERRY KAY, Novelist and Screenwriter,
Athens, Georgia
"The Year the Lights Came On"

THIRD GENERAL SESSION

Centennial Ballroom III & IV (Ballroom level)
ANGUS S. HASTINGS, NRECA Florida Director,
presiding

**International Programs Presentation and Video
"Celebration of Lights"**

INGRID HUNSICKER, NRECA Manager,
International Foundation

Winning the War for Talent

MONICA SCHMIDT, Vice President,
National Consulting Group

BOB PATTON, NRECA Sr. Principal,
Education Programs

**Twenty Years of Making a Difference:
A Report from NRTC**

BOB PHILLIPS, President/CEO

Adjourn

**NATIONAL RURAL UTILITIES COOPERATIVE FINANCE
CORPORATION (CFC) DISTRICTS 2 & 3 MEETING**

Centennial Ballroom III & IV (Ballroom level)

SHELDON C. PETERSEN, Governor/CEO
GARY HARRISON (AL), Overall Chairman
BOBBY WILLIAMS (GA), Overall Secretary-
Treasurer

Join Sheldon and the District 2 & 3 Board
Members for a review of CFC's operations
and an industry update.

An election will be held for the District 2
Director-Director position and for the At-Large
Director position on the CFC Board.

**INTERNATIONAL PROGRAMS AND
FOUNDATION PRESENTATION**

"Americans Making a Difference"

Baker Room (Atlanta Conference Center)

REGIONAL RECEPTION

(Hosted by NRTC and Georgia EMC)

Centennial Ballroom I & II (Ballroom Level)

CEO BREAKFAST

(Co-sponsored by NRECA and CFC; by Invitation Only)
Regency V Ballroom (Ballroom Level)

FOURTH GENERAL SESSION

Centennial Ballroom III & IV (Ballroom level)
ROBERT J. OCCHI, NRECA Mississippi Director,
presiding

Coffee Talk: Member Issues

RONALD R. BERGH, NRECA President
GLENN ENGLISH, NRECA CEO

BUSINESS MEETING (REGION 2)

International Ballroom (International Tower)
GALEN MILLS, Region 2 Executive
Committeeperson, *presiding*

BUSINESS MEETING (REGION 3)

Centennial Ballroom III & IV (Ballroom level)
MICHAEL L. MILLER, Region 3 Executive
Committeeperson, *presiding*

- Call to Order
- Adoption of Agenda
- Adoption of Standing Rules
- Approval of Minutes of 2005 Region Meeting
- Introduction and Report of
Nominating Committee
- Election of Region Members to 2007
NRECA Standing Committees
- Consideration of Proposed Resolutions
- New Business

Adjourn

MARK YOUR CALENDAR



2006 Annual Meeting & Expo Schedule*

Tuesday, February 14

8:00 a.m. – 5:00 p.m. RUS Electrical Engineering Workshop

Wednesday, February 15

8:00 a.m. – 5:00 p.m. RUS Electrical Engineering Workshop
TechAdvantage® Pre-Conference Workshops

Thursday, February 16

8:00 a.m. – 5:00 p.m. TechAdvantage® Conference
8:00 a.m. – 4:00 p.m. Director Training

Friday, February 17

8:00 a.m. Standing Committee Joint Meeting
8:00 a.m. – 4:00 p.m. TechAdvantage® Conference
8:00 a.m. – 4:00 p.m. Director Training
9:00 a.m. Standing Committee Meetings
9:00 a.m. – 4:30 p.m. Workplace Law Workshop
4:30 p.m. – 7:30 p.m. TechAdvantage® Expo Gala Grand Opening

Saturday, February 18

8:00 a.m. – 4:00 p.m. Director Training
8:30 a.m. – 4:30 p.m. Legal Seminar 46
8:30 a.m. Standing Committee Meetings
9:00 a.m. – 12:10 p.m. Technology Showcase
10:00 a.m. – Noon TechAdvantage® Expo (CEO & Co-op Staff Only)
Noon Electric Cooperative Bar Association Annual Meeting
Noon – 3:30 p.m. TechAdvantage® Expo

Sunday, February 19

7:30 a.m. Congressional Action Center
8:00 a.m. – 4:00 p.m. Director Training
8:30 a.m. – Noon Legal Seminar 46
8:30 a.m. NRECA Board Meeting
9:00 a.m. Ecumenical Service
10:30 a.m. NISC Annual Meeting
11:00 a.m. – 3:00 p.m. TechAdvantage® Expo
3:00 p.m. NRTC Annual Meeting

Monday, February 20

7:30 a.m. Congressional Action Center
8:30 a.m. – 11:00 a.m. NRECA Annual Meeting – Opening General Session

- Report of NRECA CEO
- Distinguished Service Award
- Keynote Address

11:30 a.m. – 2:30 p.m. TechAdvantage® Expo

Noon Celebration Luncheon
1:00 p.m. NCSC Annual Meeting
2:45 p.m. Forum Sessions
8:00 p.m. Entertainment Night

Tuesday, February 21

7:30 a.m. Congressional Action Center
8:30 a.m. Second General Session

- Youth Leadership Council
- Rural Utilities Service Report
- Clyde T. Ellis Award Presentation
- NRECA President's Report
- Touchstone Energy Cooperatives Annual Meeting

10:30 a.m. Business Session

- NRECA Secretary/Treasurer's Report
- Nominations & Resolutions

1:00 p.m. Forum Sessions
2:30 p.m. CFC Annual Meeting
4:30 p.m. Federated Rural Electric Insurance Exchange Annual Meeting

Wednesday, February 22

7:00 a.m. ACRE® Breakfast
7:30 a.m. – 11:00 a.m. Congressional Action Center
8:30 a.m. – 11:00 a.m. Closing General Session

- International Program Presentation
- Award Ceremony
- Keynote Address
- Cooperative Director Celebration

**Schedule subject to change.*

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
CASE NO. 2006-00500
SECOND DATA REQUEST OF COMMISSION STAFF

- Q 15. Refer to the Application, Exhibit 11, pages 1 through 6.
- a. On pages 2, 5 and 6 of 6, there are transactions for employee logo shirts and shirts to designate employees. Explain why these transactions should be included for rate-making purposes.
- b. Concerning safety, conservation, and information advertising shown on pages 2 and 3 of 6, provide a copy of the following advertisements or the text of the advertisement:
- (1) Page 2 of 6, line 22, WXBC Radio.
 - (2) page 2 of 6, line 33, Meade Co. Communications
 - (3) page 3 of 6, Line 85, L.A.W. Publications
- c. Explain why the Christmas display shown on page 2 of 6, line 20, and the sports sponsorship shown on page 3 of 6, line 76, should be included for rate-making purposes.
- d. Refer to page 4 of 6, line 24. Explain the purpose of the Economic Development investment transaction and why it should be included for rate-making purposes.
- e. Refer to page 4 of 6, line 38. Explain the purpose of the NRECA meeting registration and why it should be included for rate-making purposes.
- f. Refer to page 4 of 6, line 30, 41 and 49. Explain the purpose of the meeting attended by Dave Pace and why these expenses should be included for rate-making purposes.
- g. Refer to pages 4 and 5 of 6, lines 56, 60, and 73. Explain the purpose of the NRECA Connect conference and why these expenses should be included for rate-making purposes.

h. Refer to page 5 of 6, lines 87 and 93. Explain the purpose of the Member services conference expenses and why these expenses should be included for rate-making purposes.

i. Refer to page 5 of 6. Are any of the items that were individually less than \$100 related to Christmas gifts, Christmas activities, or the Washington Youth Tour? If yes, identify the amounts.

- A.
- 15 a. MCRECC pays for logos on employees' shirts as well as shirts with logos for our annual meeting. We believe this is a legitimate employee benefit as well as a benefit to the cooperative.
 - 15 b 1. WXBC Radio advertisement, refer to page 4 of this item.
 - 15 b 2. Meade Co. Communications, refer to page 5 of this item.
 - 15 b 3. L.A.W. Publications, refer to page 6 of this item.
 - 15 c. The Christmas Display shown on page 2 of 6, line 20 was an advertisement informing customers of our office hours during the Christmas season.

The sports sponsorship shown on page 3 of 6, line 76 should not be included for rate making purposes.
 - 15 d. Page 4 of 6, line 24 was the registration fee to a Kentucky Economic Development Association meeting. This association is a group of economic development professionals who meet occasionally to discuss ways of promoting Kentucky's economy.
 - 15 e. Page 4 of 6, line 38 is the registration fee for a MCRECC employee to the NRECA annual meeting. We believe this is a legitimate expense for rate making purposes.
 - 15 f. Page 4 of 6, lines 30, 41 and 49. All the expenses on these lines were expenses to the NRECA annual meeting and we believe they are legitimate

expenses for rate making purposes.

- 15 g. In the rapidly changing electric utility industry, communication is important to keep our membership informed of the latest in technology, safety, and general information about the electric industry. To be up-to-date, training and information is necessary to keep up with the latest trends important to serving our members. The Connect Conference sponsored by the National Rural Electric Cooperative Association provides timely information and the latest in technological advances to help cooperatives serve their members.

Enclosed is a copy of the agenda for the 2006 Connect Conference. Topics ranged from crisis communications to economic development to managing high-bill complaints to energy efficient products for members to energy trends to energy efficiency, to customer satisfaction.

In addition, the conference provides opportunities for networking with colleagues from around the country to learn best practices to maintain and improve service to our members.

See agenda attachment, pages 7 through 10 of this item.

- 15 h.

In the rapidly changing electric utility industry, communication is important to keep our membership informed of the latest in technology, safety, and general information about the electric industry. To be up-to-date, training and information is necessary to keep up with the latest trends important to serving our members. The Member Services conference sponsored by Kentucky's Rural Electric cooperatives for Kentucky's Rural Electric Cooperatives provides timely information and the latest in technological advances to help cooperatives serve their members.

Enclosed is a copy of the agenda for the 2006 Member Services Conference. Topics ranged from discussions about marketing programs to help our members with energy efficiency to Touchstone Energy Branding to School Safety programs to communicating information about rate increases.

In addition, the conference provides opportunities for networking with colleagues from around the state to learn best practices to maintain and improve service to our members.

See agenda attachment, page 11 of this item

- 15 i. Page 5 of 6. No.

Witness: Burns E. Mercer

Meade County RECC - 60 Second Radio Ad (1)

What if you could pay the same for heat this winter as last? Well, you can if you're served by Meade County RECC.

High energy prices in the wake of Hurricanes Katrina and Rita are expected to take their toll this winter on consumers who heat with natural gas and propane. But if you're served by Meade County RECC, your electric rates won't be affected at all. You'll continue to pay one of the lowest rates in the country for your electricity. Of course, keeping energy costs low is just one of the many ways your locally-owned Meade County RECC is working hard to serve you. It's making a big difference and saving you money—this winter and beyond.

Meade County RECC:

Serving your needs. Saving you money.

Meade County RECC - 60 Second Radio Ad (2)

Temperatures may be falling. Energy prices may be rising. But if you're served by Meade County RECC, your electric rates are remaining the same this winter.

If the idea of heating your home this winter gives you the chills, Meade County RECC has some news that will make you feel warm all over. As the rest of the country copes with the major cost increases of natural gas and propane, with some heating bills projected to rise as much as 50% or more in some areas, your electric rates will remain the same this heating season. You'll be unaffected by the economic uncertainty caused by Hurricanes Katrina and Rita, and you'll continue to pay one of the lowest rates in the country for your electricity. We call it the cooperative difference. You'll call it one more reason to be glad you're served by a Touchstone Energy cooperative.

Meade County RECC:

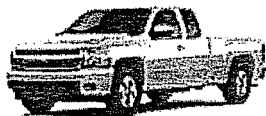
Same great service. Same great rates.



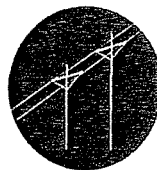
Get High
On
Life
Not
Drugs!!

Powers Paper Company Supports Sheriff Butch Kerrick

We won't forget about you after the sale!



Junction 448 & 1638 – Brandenburg
888-920-2141 / www.TonyBrownChevrolet.com

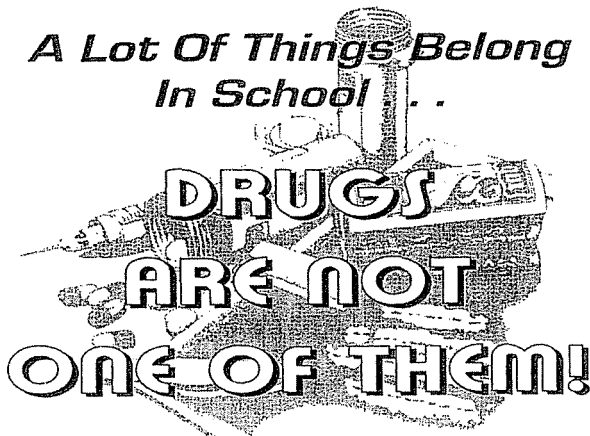


Meade County RECC

Your Touchstone Energy® Cooperative 

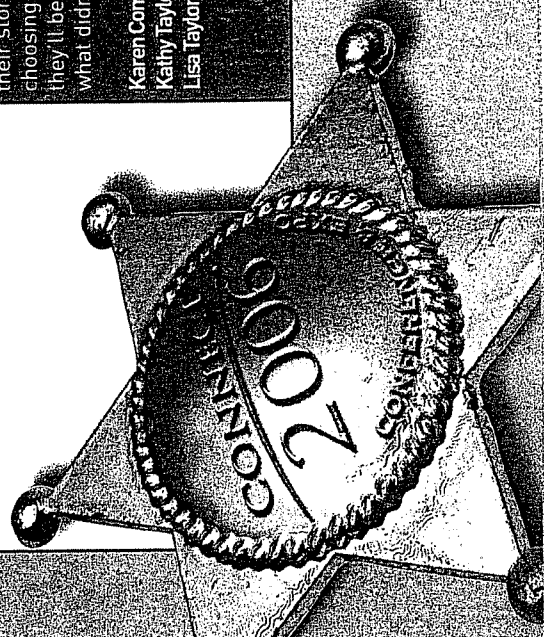
Your children must be made to realize that their most precious asset is a sound mind and a healthy body. Unfortunately, almost every child at some time will be in contact with narcotic pushers or users. Use this book as a reference in preparing your children to resist the temptation of drug abuse. For your child's sake, discuss this problem with them and become experts in the field of detection.

**A Lot Of Things Belong
In School . . .**



CONNECT TRACKS – WEDNESDAY, MAY 17

<p>Wednesday, May 17 10:15 – 11:30 a.m.</p>	<p>Straight Shootin' Communications</p> <p>Walk the Line: Communicate the Cooperative Difference Big thinker Michael Sheehan will zero in on communicating the cooperative difference in a rising-costs environment. This session will lay the foundation for effective communication with members as to why the cost of power is rising, what co-ops are doing to manage costs and how they can be involved.</p>	<p>Branding Bonanza Touchstone Energy</p> <p>True Grit: What Your Members Really Think About Your Co-op Learn how the 2005 Touchstone Energy® Survey on the Cooperative Difference offers critical insight into the actions and messages that drive member satisfaction and loyalty.</p> <p>Tom Laing, TSE Services, NC</p>	<p>Maverick Solutions Member Services</p> <p>Distributed Generation: Opportunities for Co-op Applications This session will explore the economics, requirements, policy implications and opportunities of supporting alternative energy sources to meet member needs and expectations.</p> <p>Bryan Singletary, Practical Energies, FL</p>
<p>Wednesday, May 17 3:15 – 4:30 p.m.</p>	<p>High Noon: Communicating About Rate Increases A panel of co-op communicators will describe how they leveled with their members about rate hikes. They'll share their stories about crafting the message, choosing the communication vehicles, and they'll be candid about what worked and what didn't.</p> <p>Karen Combs, Jackson Energy Cooperative, KY Kathy Taylor, Corn Belt Power, IA Lisa Taylor-Gaizia, Carteret-Craven, NC</p>	<p>Ante Up: The Ins and Outs of Pre-Paid Metering Pre-paid metering can empower members to better manage their electric use while providing direct benefits for a co-op. During this session you'll examine the Salt River Project's M-Power—the nation's largest pre-paid metering program. You'll learn about the benefits to consumers and SRP, program costs and the necessary customer support.</p> <p>Renee Castillo, Salt River Project, AZ</p>	<p>Acres High: Best Practices That Drive Member Satisfaction See how to use Touchstone Energy customer satisfaction benchmarking not only to measure success, but also to improve business performance.</p> <p>Ray Beavers, United Electric Co-op Services, TX Terry Felker, The CFI Group, WI Greg Kiess, Northeastern REMC, IN Jim Bausell, Touchstone Energy, VA Tim Sullivan, NRECA, MN</p>



CONNECT TRACKS - WEDNESDAY, MAY 17

<p>Planning for Gold Marketing</p> <p>E-Mail Marketing: The Dos and Don'ts Marketers know that e-mail offers a powerful tool for reaching their audience—it's done right. Attend this session to explore creative approaches, campaigning, effective writing and SPAM laws.</p> <p>Gary Gillen, EEI Communications, VA</p>	<p>Meanwhile, Back At The Ranch . . . Energy Efficiency</p> <p>Load Factor Nightmares Find out how to tame out-of-control peaks and surges to reign in costs.</p> <p>Vicki Belanger, Great River Energy, MN Debbie Marcum, Alabama Electric Co-op, AL</p>	<p>Riding Tall in the Saddle Professional Development</p> <p>Gather 'Round the Campfire: Present Like a Pro Research tells us that many people fear public speaking more than death. In this session, you'll learn some key presentation skills you'll also learn how to build your confidence before a presentation, so that team's diminished. Get expert advice about how to combine your passion with experience in presentations that not only deliver content effectively but also wow your audience.</p> <p>Gary Rifkin, Encore! TX</p>	<p>The General Store Miscellaneous</p> <p>Paint Your Wagon: CFC's Rebranding Initiative This session will give you a better understanding of the fundamentals of brand concept, explain how to create a branding toolkit, and show you how to roll out branding guidelines to employees.</p> <p>Beth Ann Johnson, CFC, VA</p>
<p>The 7 Marketing Mistakes Every Business Makes and How to Fix Them Take home creative ideas and handy tools you can use right away to improve the response you get to your marketing efforts, regardless of how big (or small) your budget is. You'll discover ways to make our products and services stand out, and win increased loyalty from your members.</p> <p>Terri Langhans, Blah Blah Inc., CA</p>	<p>Top 10 Things To Know About Energy Efficiency Energy costs are on the rise, so members are turning to the co-op for help in managing their electric bills. Hear from two co-op experts about 10 practical ways you can help members become energy smart.</p> <p>Paul Bony, Delta-Montrose, CO Rick Ryan, Nolin RECC, KY</p>	<p>Gather 'Round the Campfire: Present Like a Pro In this session, you'll learn some key presentation skills you'll also learn how to build your confidence before a presentation, so that team's diminished. Get expert advice about how to combine your passion with experience in presentations that not only deliver content effectively but also wow your audience.</p> <p>Gary Rifkin, Encore! TX</p>	<p>Blazing New Trails: CRN Cooperative Innovators Showcase of Winners The Cooperative Research Network's Cooperative Innovators Award recognizes leadership in adopting new technologies to improve member satisfaction. Get a close-up look at the 2006 winning entries. Learn how to analyze new technology, identify obstacles to implementation and quantify the value to co-op members.</p>

CONNECT TRACKS - THURSDAY, MAY 18

<p>Thursday, May 18 10:30 - 11:45 a.m.</p>	<p>Straight Shootin'</p> <p>Circling the Wagons: Real Stories of Co-ops in Crisis Front-line co-op communicators will explain how they communicated before, during and after the devastation of Hurricanes Katrina and Rita. They'll share tips on techniques, tools and "Pony Express-style" crisis communication.</p> <p>Ron Barnes, Coast Electric Power, MS Lori Freeman, Singing River Electric Power, MS Billy Gibson, Association of Louisiana Electric Co-ops, LA Robin Keller, Dixie Electric Membership Corp., LA</p>	<p>Branding Bonanza</p> <p>Beyond the 30-Second Spot: 2006 Touchstone Energy Advertising and Communications Portfolio Get an in-depth look at the 2006 Touchstone Energy advertising and communications portfolio. Learn how locally customizing these resources can move the needle when it comes to communicating the cooperative difference.</p> <p>Bob Ragsdale, White & Partners, VA Jim Bausell, Touchstone Energy, VA</p>	<p>Maverick Solutions</p> <p>Standing Outside the Fire: Managing High-Bill Complaints The high-bill complaint call is often the most frustrating exchange between the member and the co-op. Learn best practices and creative options to either prevent the calls or deftly manage them when they do come in.</p> <p>Craig Frank, Central Georgia EMC, GA ✓</p>
<p>Thursday, May 18 1:30 - 2:45 p.m.</p>	<p>Hitting the Bull's-Eye: Writers at Work — Special 3-Hour Writers Lab! From generating story ideas to improving your interviewing questions to capturing your readers' (and even your CEO's) attention, learn how to write articles that inform, inspire and even influence thought and action in your co-op. Go home with 12 ways to improve your publication writing.</p> <p>Catherine Merto, Professional Writer, CA</p>	<p>Wide Open Spaces: Site-Selection Workshop Hear how co-ops are leveraging SitesAcrossAmerica.com to gain a competitive edge with site selectors and ultimately to bring jobs and businesses to co-op communities. Listen in from a site selection consultant also explains what is expected from a utility during the site-selection process.</p> <p>Bryce Cramer, Egyptian Electric Cooperative, IL Deane Foote, Carter-Burgess, AZ Fred Gassaway, Palmetto Economic Development Corp., SC Robert Pittman, CH2M Hill/Lockwood Greene</p>	<p>High Tech Can Lead to High Satisfaction: Interactive Voice Response Learn about interactive voice response (IVR), voice recognition and other cutting-edge technologies that assist customer service representatives. Gain an understanding of the trade-offs between increasing productivity through technology breakthroughs and employing traditional human contact.</p> <p>Dennis Smith, Chartwell, GA Jim Rembach, Customer Relationship Metrics, VA ✓</p>
<p>Thursday, May 18 3:15 - 4:30 p.m.</p>	<p>Hitting the Bull's-Eye: Writers at Work — Special 3-Hour Writers Lab! (Continued)</p> <p>Catherine Merto, Professional Writer, CA</p>	<p>When Just One Card Will Do: Co-op Connections® Card Get the goods on how the Co-op Connections® Card offers a win-win-win program for your co-op, the businesses you serve and your residential members. Co-op peers will explain how this program builds loyalty and clarifies the link between your co-op and the Touchstone Energy brand.</p> <p>Rachel Settles, Blue Grass Energy, KY Eddie McKnight, Berkeley Electric Co-op, SC Lynn Simmons, South Plains Electric Co-op, TX</p>	<p>A Fistful of Dollars: Payment Options for Members Members are asking for choice in how they are billed and ways they can pay. This session will focus on the billing and payment options available—in-person, via snail mail and electronically.</p> <p>Jimmy Autry, Flint EMC, GA ✓</p>

CONNECT TRACKS – THURSDAY, MAY 18

<p>Panning for Gold</p> <p>Forging New Frontiers: Co-op Product Launches What makes a successful product launch? What preparations do you need to make before you introduce a product or service to your members? Listen as co-ops offer their success—and horror—stories of introducing new products to members.</p> <p>Doug Miller, Logan County Power and Light, OH Ken Ritchey, Tipmont EMC, IN</p>	<p>Meanwhile, Back At The Ranch . . .</p> <p>Emerging Trends and Issues: Helping Your Members Benefit from the Newest in Building Technologies This session will focus on the latest innovations in technologies for energy efficiency, demand reduction, and green/sustainable buildings. We'll also highlight ways to help your customers leverage federal incentives, as well as tools and resources available to assist you with technology implementation.</p> <p>Ken Black, E Source, CO Rachel Buckley, E Source, CO</p>	<p>Riding Tall in the Saddle</p> <p>Taking the Bull by the Horns: Leadership and Teamwork Breviating with high-impact speakers from the electrical industry will help you gain insight into the challenges of leadership in the electric utility industry. This session will focus on how to build a culture of collaboration that you can use to lead your team. The speakers will talk about the importance of relationships, how to inspire others, and how to get the most out of your team. With a focus on collaboration.</p> <p>Jim Bearden, Bearden Resource Group, TX</p>	<p>The General Store</p> <p>Hi Ho Silver: Award-Winning Communication Programs Marry Hillert, CEO of Adams-Columbia Electric Cooperative, Friendship, WI, and winner of the 2006 J.C. Brown CEO Communication Leadership Award, will share innovative ways to get member input. He and Keith Wohlfert, CCC and ACEC's communicator, will explain the importance of staff development and team-building programs. Learn from this year's Chesnut Award winner how to create an outstanding body of work that can earn you the award for the best overall co-op communications program.</p>
<p>Selling vs. Hoping To Get Bought: Rethinking Your Marketing Approach Making a sale has many steps, and none of them can stand alone, not even the "close." Get ready for a whole new way of looking at the selling experience. Find out how to let go of the illusion of control, and step up your ability to influence. If you want to change your sales style from "pitch and hope" to "ask and listen," then don't miss this session.</p> <p>Jim Bearden, Bearden Resource Group, TX</p>	<p>Touchstone Energy Home on the Range: Rising Energy Costs are Renewing Interest in Energy Efficiency Rising energy costs are renewing interest in energy efficiency. Learn about the Touchstone Energy Home and other energy efficiency programs delivered via the Touchstone Energy brand. Find out how these options can help your members reduce energy costs, and help your co-op build member loyalty.</p> <p>Bill Cooper, Hoosier Energy REC, IN Mark Ingram, Alabama Electric Co-op, AL</p>	<p>Horse Whisperer: Guided Conversations and Communication Styles You may not be a horse whisperer, but you can learn to be. This session will help you develop a communication style that is effective in the real world. We'll discuss how to identify your own communication style, and how to use it to your advantage. You'll also learn how to use your communication skills to help you build a strong relationship with your customers. Attend this session to learn what the real world is like when it comes to communication.</p> <p>Jan Cook, NCEM, INC</p>	<p>Understanding Rates To Enhance Member Communications Learn basics on electric rates, including how rates are formulated—from total co-op cost to individual consumer class rate schedules. You'll gain a working vocabulary to use when answering member questions about revenue requirements, allocation of costs, and analysis of returns by class and rate design.</p> <p>Rod Crile, CFC, IN</p>
<p>Roping in Diverse Members: Strategies for Successful Marketing With a yearly growth rate of 12 percent, CoServ Electric undertook a member survey. The survey revealed intriguing and startling information. Learn how the findings transformed CoServ's marketing strategy and tactics to connect with its diverse and changing membership.</p> <p>Dennis Engelke, Co-Serve, TX</p>	<p>The Impact of EPAct on Your Co-op The Energy Policy Act of 2005 focuses on some new federal standards concerning net metering, DG interconnections, smart metering and time-of-use rates, fuel diversity, and fossil fuel efficiency. Find out how these requirements affect your co-op and your consumers. Learn how to turn the new obligations to your co-op's benefit.</p> <p>Jay Morrison, NRECA, VA</p>	<p>The Great Ideas Roundup: Powwow on Best-Loved Resources This session will feature a panel of speakers who will share their favorite resources for staying current in the electric utility industry. You'll learn about the latest in technology, marketing, and customer service. Attend this session to learn what the real world is like when it comes to staying current in the electric utility industry.</p> <p>Jane Walk, Georgia EMC, GA</p>	<p>Employee Attitude Surveys Employees are an important source of insight and market intelligence for the co-op. Effective employee surveys can help co-op leaders tap into this valuable information source and begin to enlist their support.</p> <p>Bruce Barlow, NRECA, VA</p>



Fall 2006 Joint EKPC/KMSA Meeting

October 4 - 6

Date Hollow Lake Mary Ray Oaken Lodge

Wednesday, October 4

- **GOLF SCRAMBLE** - tee time 10 am CST
- **SCAVENGER HUNT HIKE and PONTOON BOAT RIDE** - 12:30 pm
- **EVENING DINNER RECEPTION**

Thursday, October 5

8:30 **EAST KENTUCKY POWER'S**

to **MARKETING**

Noon **PROGRAMS**

(all Kentucky co-ops are invited)

Special Guest:

Ray Radford,

DOE Anderson

Noon to 1:00 pm **LUNCH**

TOUCHSTONE ENERGY

BRANDING SESSION

(session is for all Kentucky co-ops)

Special Guest:

Michael Wagner, White Rabbit Group

Dinner & the Magic of Scott Davis

5:30 to ?

Friday, October 6

8:00 to 8:30 am Continental Breakfast

KMSA MEETING

School Safety Programs

- Scott Davis, Safety Magician
- Warren RECC's Kilowatt Kids

9:30 to 9:45 am **BREAK**

9:45 to 10:45 am **Communicating a Rate Increase**

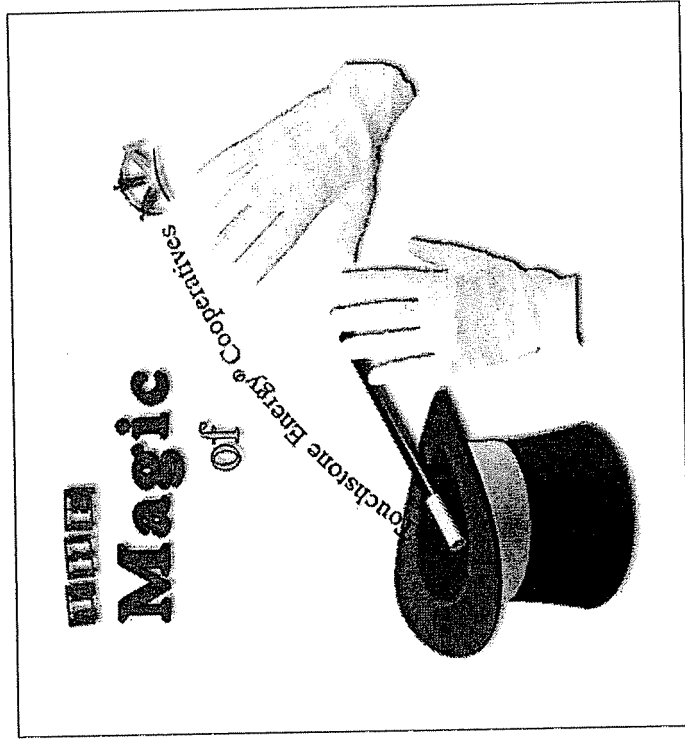
A Case Study

- Lisa Taylor-Galizia, Carteret-Craven EC, NC

10:45 to adjourn **KMSA Strategic Planning**

Moderator:

Tammy Simmons



MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
CASE NO. 2006-00500
SECOND DATA REQUEST OF COMMISSION STAFF

Q 16. Refer to the Application, Exhibit 12. Provide an update of the current rate case expenses through April 24, 2007.

A.	OHIO COUNTY TIMES NEWS	NEWSPAPER ADVERTISING -JAN 07	1/31/2007	\$	24.00
	MELANIE RALEY	POSTAGE TO SEND PACKET TO PSC FOR RATE C	3/30/2007		22.20
	VISA	KY SEC OF STATE (RATE CASE)	3/30/2007		10.00
	GRAYSON COUNTY NEWS-GAZETTE	ADVERTISING-RATE CASE	4/6/2007		533.94
	HERALD NEWS PUBLISHING CO INC	ADVERTISING-RATE CASE	4/6/2007		441.00
	THE MEADE COUNTY MESSENGER	ADVERTISING-RATE CASE	4/6/2007		217.50
	OHIO COUNTY TIMES NEWS	INVS 41563,41743,41894 -MARCH 07	4/6/2007		378.00
	STAPLES BUSINESS ADVANTAGE	SUPPLIES FOR RATE CASE	4/6/2007		387.42
	FEDERAL EXPRESS CORP	SHIPPING CHARGES	4/13/2007		90.83
	THOMAS C BRITE,ATTORNEY	RATE CASE 3/16/07-3/22/07	4/13/2007		150.00
	JAMES R ADKINS	CONSULT SERVICES-RATE APPL,DEVELOP RATE,	4/30/2007		23,847.20
	Total				\$ 26,102.09

Witness: Karen Brown

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
CASE NO. 2006-00500
SECOND DATA REQUEST OF COMMISSION STAFF

Q 17. Refer to the Application, Exhibit 13.

- a. Describe the benefits received and the obligations and responsibilities incurred by Meade through its involvement with Wildblue wireless Internet services ("Wildblue"). Indicate when Meade first became involved with Wildblue.

- b. Provide copies of any contracts, memoranda of understanding, or other documents that detail the business relationship between Meade and Wildblue.

- c. Provide the number of Meade's customers who were receiving service from Wildblue in each calendar year since 2001 and in the test year.

- d. Provide a schedule showing the revenues, expenses, and net profit or loss associated with Wildblue for each calendar year since 2001. The schedule should reflect the format used in Exhibit 13.

A. 17a. High speed Internet is available only in limited areas throughout the Meade County RECC service territory. Options available at the time to consumers were high-priced satellite Internet systems that also required the use of phone lines to provide service.

Meade County RECC saw the need to provide its members with a reliable, affordable service previously unavailable to them. Meade County RECC is not involved directly with WildBlue Corporation. Meade County RECC is partnered with the National Rural Telecommunications Cooperative (NRTC) who is partnered with WildBlue. Meade County RECC has no direct contact, in any manner, with WildBlue for service, equipment, marketing or technical support. All contacts and consultation is through NRTC.

Meade County RECC serves as an agent for WildBlue satellite Internet service and is responsible for selling, contracting of installation, billing and processing payment for the service, ordering and warehousing equipment and marketing and advertising of the service.

Meade County RECC signed its agreement with NRTC in 2003. The first WildBlue system was installed in July 2005.

17b. Attached as pages 4 through 78 are copies of original and amended contracts with NRTC for Wildblue operations.

17c. Following is a recap of Wildblue customer count since operations began in August 2005:

<u>Year</u>	<u>Total Customers</u>	<u>MCRECC Customers on Wildblue</u>
2005	75	40
2006	175	100

17d. Attached as page 3 of this item is a schedule showing the revenues, expenses, and net profit or loss associated with Wildblue for 2005 when operation began.

Witness: Burns E. Mercer

17d. Provide a schedule showing the revenues, expenses, and net profit or loss associated with Wildblue for each calendar year since 2001.

The schedule should reflect the format used in Exhibit 13.

A. 17d. Wildblue operations began in August 2005.

	<u>Calendar Year</u> <u>2006</u>	<u>Calendar Year</u> <u>2005</u>
417.001 Service revenue	123,529	\$ 17,455
417.002 Equipment revenue	39,059	27,868
417.004 Other revenue	5,752	50
	<hr/>	<hr/>
Total revenues	168,340	45,373
417.101 Cost of service	74,556	6,392
417.102 Cost of Equipment	50,403	55,538
417.103 Cost of installations	18,126	16,644
417.104 Cost of other services	36	-
417.105 Cost of support expenses	30,641	10,990
417.106 Cost of billings	2,203	564
417.107 Cost of other customer service	1,325	-
417.108 Advertising expenses		541
417.110 Depreciation expenses		271
417.111 Administrative expense	13,793	10,047
417.113 Participation fee, amortization		-
	<hr/>	<hr/>
Total expense	191,083	100,987
Net profits(loss)	\$ (22,743)	\$ (55,614)



National Rural
Telecommunications
Cooperative

2121 Cooperative Way
Herndon, Virginia
20171-4542

Voice 703 787 0874
Fax 703 464 5300
Web www.nrtc.org

*Mailed
Contract
9-27-06*

August 22, 2006

Dear WildBlue Member,

Recently, NRTC communicated with you about the upcoming changes in the WildBlue Amended Member Agreement and we mentioned that a Restated and Amended NRTC Member Agreement for Marketing and Distribution of WildBlue Services (referred to as the "Amended Member Agreement") would be distributed to you.

Yesterday, the NRTC Board gave its final approval of NRTC's amended Master Distribution Agreement (the "amended MDA") with WildBlue and the Amended Member Agreement. WildBlue has also reviewed and approved the Amended Member Agreement. We are sending you the enclosed information to provide you tools to help you feel comfortable with this process. NRTC is excited about this new opportunity and we are looking forward to serving you through the implementation of the amended MDA and continued evolution of the business.

We have a variety of resources at your disposal should you have any questions. All members of our team will help you understand and answer any of your issues or concerns. The NRTC Regional Business Managers and Sales and Marketing Managers are your first line resource. If you are not certain who you should talk to, go to http://www.nrtc.coop/us/main/about_nrtc/fieldStaff, click on the state in which you conduct your business and you will find the contacts for your region. NRTC's WildBlue Internet Services division personnel can also assist you. On the legal front, our Legal Department is ready to assist as well, if needed, with any legal questions. Further within this memo, we have included specific contact information for your benefit.

Enclosed you will find the Amended Member Agreement along with supporting materials to help you understand the changes that have been made. NRTC changed only those provisions that are necessary to correspond with the amended MDA and those that are no longer applicable.

Because the amended MDA takes effect and impacts your operations as of October 1, 2006, we must request that you sign and return the two executed originals of the Amended Member Agreement **no later than September 29, 2006**. We will then sign and return one original to you. We have enclosed a pre-paid FedEx envelope for you to use to return the materials to NRTC.

I apologize for the compressed time schedule required for your review and acceptance of this Amended Member Agreement. This time frame is dictated by the terms of NRTC's amended MDA with WildBlue, which provides you with the same benefits and terms as those granted to EchoStar and DIRECTV.

OVERALL IMPROVED TERMS FOR NRTC WILDBLUE MEMBERS

NRTC exercised the most favored nation (MFN) clause of its original MDA with WildBlue because the terms of WildBlue's distribution agreement with EchoStar and DIRECTV were, on balance, more favorable than those of NRTC's agreement. We believe these amended terms for WildBlue service will be of benefit to your operations and provide the potential for greater return on your investment, as well as improved service levels to your members. The key benefits reflected in the Amended Member Agreement include:

- **Immediate Reductions in Wholesale Rates:** First and foremost, as of the October 1 effective date, the Amended Agreement will provide you with an immediate wholesale cost reduction of approximately \$1 on average per month per subscriber, among the three Internet service packages. Beginning April 1, 2007, there will be an additional approximate \$1 on average per month per

NRTC CONFIDENTIAL

NRTC CONFIDENTIAL

August 22, 2006
Amended NRTC Member Agreement
Page 2

subscriber rate reduction. This average is based on your mix of subscribers among the three Internet service packages. Please see the exact reduced rate that will benefit your business in attached Exhibit B.

- **Greater Flexibility to Set Retail Pricing:** The Amended Member Agreement also provides fixed wholesale rates. That means that you will have the right to set the retail rate for each WildBlue service package. In addition, there is no longer a specified price for equipment and the standard installation package. NRTC WildBlue members will have the right to set prices for the WildBlue Service, equipment, installation and warranty.
- **Greater Freedom to Use Sales Agents and Sales Tools:** NRTC WildBlue members will have greater flexibility to use sales agents, local points-of-presence and the Internet as sales channels.
- **Specific Service Level Commitments and Credits:** The new MDA contains specific service-level commitments from WildBlue. These service-level terms address spot-beam service availability, maintenance outage time, unplanned outages, Web browsing time, and upload/download speeds. If specified levels of service availability are not met, WildBlue may be obligated to provide credits which NRTC will pass along to NRTC WildBlue members.

ANOTHER KEY TERM

By exercising the MFN, we are required to take the new MDA in its entirety. While the term of the Amended Member Agreement remains 10 years from the initial 2003 agreement, it is subject to continuation of the amended MDA between NRTC and WildBlue. The amended MDA has an initial term running to August 1, 2011. Thereafter, it continues with consecutive year-to-year renewals unless NRTC or WildBlue terminates on 180 days' prior notice. Potentially, therefore, if WildBlue were to exercise its right to terminate before one of the annual automatic renewals after the initial term ends in 2011, the overall term of the Amended Member Agreement could end up being shorter than the agreement term you have today.

SUPPORTING DOCUMENTS ENCLOSED

To support you, your board and your counsel in reviewing the Amended Member Agreement, NRTC has included the following documents in this communication:

- An Overview of the Amended Member Agreement, which provides an executive summary of the amendments in plain language.
- A marked (redlined) version of the Amended Member Agreement in order to facilitate a line-by-line review of the amendments.

AMENDED MEMBER AGREEMENT MUST BE SIGNED BY SEPT. 29

As noted above, the terms of NRTC's amended MDA will take effect on October 1. As of October 1, 2006, your existing WildBlue agreement will be terminated and no longer be in effect. Consequently, NRTC must receive a signed copy of your Amended Member Agreement on or before September 29, 2006.



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When executing the Amended Member Agreement, please complete all information, including the company name on the first page and all information on the signature page. Please use the same company name under which you signed your original NRTC Member Agreement when executing this Amended Member Agreement. If you are not sure of the exact legal name, please call or e-mail our Legal Department at 800-995-5592 or e-mail wbinfo@nrtc.coop Please return two original signed copies to NRTC at the following address:

NRTC
2121 Cooperative Way
Herndon, VA 20171
Attn: NRTC Legal Department

You will find enclosed a pre-paid FedEx envelope and label for you to use when returning the executed Amended Member Agreement to NRTC. Please use these for the return mailing.

WILDBLUE MEMBER BUSINESS MODEL

On the Internet Business Center, we have posted for all general managers and business managers a copy of the WildBlue Business Model. This financial model template allows each member to model their WildBlue business based on their local markets and assumptions. If you have any questions about the template, please contact your Regional Business Manager or Sales and Marketing Manager.

NRTC STAFF READY TO HELP YOU

We believe that the supporting documentation in this package should help you understand the changes in the Amended Member Agreement. If you have unanswered questions, please call:

- Your NRTC Regional Business Manager or Sales and Marketing Manager. If you are not sure who that person is, go to: http://www.nrtc.coop/us/main/about_nrtc/fieldStaff. NRTC's field staff has received extensive training in the terms of the Amended Member Agreement and these professionals are prepared to answer questions and assist you in this transition.
- You are also welcome to call the NRTC WildBlue Internet Services division at 800-214-6782, option 3.
- If you or your counsel need assistance with legal questions, please use our toll-free number 800-995-5592, identify yourself as an NRTC WildBlue member and ask for NRTC's Legal Department. You may also e-mail your questions to wbinfo@nrtc.coop.

We realize that we are giving you a lot of information and we understand that you may have many questions and concerns. We are hopeful that most of those can and will be answered through communication with our field staff and/or telephone and e-mail communication with NRTC staff at our headquarters in Herndon, VA. If we determine early in this process that questions are not getting answered effectively through this approach, we are prepared to quickly schedule one or more meetings so that our leadership team can make themselves available to answer concerns related to the agreement. We will count on your direct input through your NRTC Regional Business Manager or Sales and Marketing Manager to let us know if you



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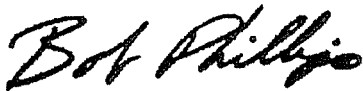
think such meetings are necessary. We will decide very quickly in September where and when to hold the meetings, if needed.

MOVING FORWARD WITH YOU

NRTC knows and understands that as an NRTC WildBlue member you have faced challenges with WildBlue's service levels and other issues during the past year. NRTC believes that WildBlue's service performance will improve and we continue to have confidence in the long-term viability of WildBlue. Bolstering that confidence is the fact that yesterday WildBlue announced that it had completed a \$350 million debt financing that provides capital to fund the growth of WildBlue's broadband business. That funding, combined with the scheduled launch of the WildBlue-1 satellite later this year, leads us to believe that NRTC and its members are about to see an exciting and rewarding new era with WildBlue.

With the new terms that are contained in the enclosed Amended Member Agreement, we feel certain that your company will enjoy improved economics and better terms under which you receive and offer the WildBlue Service. To support you, your NRTC team remains focused on working intensely with WildBlue to improve the service levels and committed to helping you bring this valuable and needed service to rural America. We thank you for all your hard work and support.

Best Regards,



Bob Phillips
President and CEO

The information in this communication is "confidential" as that term is defined in the NRTC/Member Agreement for Marketing and Distribution of WildBlue Services and is intended for the sole use of NRTC's members. Any unauthorized disclosure or distribution without the express written consent of NRTC is strictly prohibited.



Overview of the Amended NRTC Member Agreement

Below is an overview of the substantive changes in the Restated and Amended Agreement for WildBlue. A marked version of that Agreement, which accompanies this document, shows, on a line-by-line basis, these and other minor changes.

Pursuant to your existing agreement, the Amended Agreement supersedes that Agreement effective Oct. 1, 2006. Your existing Agreement will terminate as of the effective date of the Amended Agreement.

Exhibit B: Immediate Reductions in Wholesale Rates

- October 1, 2006: the Amended Agreement will provide members with an immediate wholesale cost reduction of approximately \$1 on average per month per subscriber, based on your mix of subscribers among the three Internet service packages.
- Beginning April 1, 2007: there will be an additional approximate \$1 on average per month per subscriber rate reduction, based on your mix of subscribers among the three Internet service packages.
- Please see the exact reduced rate that will benefit your business in Exhibit B.

Sections 2.1(b), 4.2, 4.3 and Exhibit B: Wholesale and Retail Pricing

- Fixed wholesale rate for each service package.
- Member has the right to set the retail rate for the service package.
- Member has the right to set price for installation, equipment and warranty with no revenue sharing.
- Service package pricing rates set forth in Exhibit B will not change unless NRTC elects to adopt per kilobit pricing in the event that doing so is more cost effective and is in response to a change in service structure by WildBlue.

Section 2.1(c): Sales channels

- Members now have greater flexibility to use sales agents, local points-of-presence and the Internet as sales channels.

Sections 2.2(b): Satellite Change/Repointing

- In the event of a change in satellite requires the repointing of dishes, the NRTC distributor will receive reimbursement "up to \$75."

Section 2.4(b): Hyperlinking

- WildBlue will no longer offer NRTC distributors the ability to hyperlink from its subscriber portal (wildblue.net) to an NRTC distributor Web site.

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Sections 2.6(a) and (b); Exhibit A-1: Service Level Agreements

- These service level agreements address the following events:
 - Spot beam service availability
 - Maintenance outage time
 - Unplanned outage
 - Web browsing time
 - Upload/download speeds
- If WildBlue does not meet specified levels of service and provides credits to NRTC, NRTC will pass those credits to its distributors under the terms of the service level agreements.

Section 3.2 and Exhibit H: 90 Days to Correct a “Nonconforming Installation”

- Upon notification from WildBlue, NRTC will notify a distributor of any “nonconforming installation.” Correction of nonconforming installation is mandated under the Agreement. After receiving notice, the distributor will have 90 days to correct the installation. If, after this 90-day period has elapsed, the installation has not been corrected, WildBlue has the “right” to correct the installation. NRTC has the right to charge the distributor up to \$75 if the installation corrected by WildBlue and charges NRTC.

Sections 3.8 and 3.9: Criteria for Member Termination Removed

- Criteria for terminating an NRTC member agreement, the designations of “poor performer” and the use of churn rate, have been removed.

Section 3.10: Branding and Marketing

- WildBlue has granted NRTC and its distributors the right to continue use of the WildBlue brand through 2006. NRTC and WildBlue are now discussing licensing the brand or private labeling the service starting in 2007.
- WildBlue no longer has the right to compel NRTC distributors to insert bill stuffers promoting WildBlue service.

Section 3.14(d): NRTC now holds Right of First Refusal

- Under the transfer provisions, WildBlue no longer holds a Right of First Refusal.

Sections 3.15 and 8: Non solicitation

- The 90-day reconnect elimination, or “no poaching clause” has been removed. NRTC distributors may provide service to any customer known to have received service—with no waiting period – however: NRTC distributors may not “knowingly” induce a current WildBlue subscriber to breach an existing WildBlue service agreement.
- After the term of the agreement ends, NRTC distributors must wait 36 months before, on the basis of information from WildBlue or obtained through this agreement, directly or indirectly

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soliciting WildBlue subscribers to switch to a competing service. For example, during the term of this agreement or during the 36-month waiting period, an NRTC distributor could send an advertisement for a competing Internet service, such as DSL, to all customers in that distributor's service area but could not send that advertisement only to a targeted list of WildBlue subscribers.

Section 6.1 and Exhibit E: Term of Agreement

- The term of the Amended Agreement remains ten years from the initial 2003 agreement, subject to continuation of the new Master Distribution Agreement (MDA) between NRTC and WildBlue. The MDA has an initial term running to August 1, 2011. Thereafter, the MDA continues with consecutive year-to-year renewals unless NRTC or WildBlue terminates on 180 days' prior notice.

Section 7: Marketing under Capacity Constraints

- NRTC distributors must cease marketing the service and activating accounts in beams that have reached 90 percent of that beam's capacity. This amendment is consistent with current practice.

Section 9: Exclusivity

- NRTC distributors cannot "offer, market, promote, sell or distribute, directly or indirectly," a competing two-way satellite Internet service.

Section 13.16: Protecting Network Integrity

- WildBlue has the right to temporarily disconnect customers whose use of the service threatens to harm the integrity of the network without providing NRTC distributors with a 30-day notice. This amendment is consistent with current practice.

Exhibit D: Business Support Fee Details Provided

Provides a more detailed listing of what is included in the Business Support Fee.

The information in this memorandum/communication is "confidential" as that term is defined in the NRTC/Member Agreement for Marketing and Distribution of Services and is intended for the sole use of NRTC's members. Any unauthorized disclosure or distribution without the express written consent of NRTC is strictly prohibited.

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**AMENDED AND RESTATED NRTC/MEMBER AGREEMENT
FOR MARKETING AND DISTRIBUTION
OF WILDBLUE SERVICES**

This Agreement ("Agreement") is made by and between the NATIONAL RURAL TELECOMMUNICATIONS COOPERATIVE, a District of Columbia cooperative ("NRTC"), and MEADE COUNTY R.E.C.C., a duly authorized Eligible Member of NRTC ("Member"), as of this 1st day of October, 2006 (the "Effective Date"). NRTC and Member may be referred to throughout this Agreement each individually as a "Party" and collectively as the "Parties."

WHEREAS NRTC entered into a master distribution agreement dated as of July 30, 2003 (the "Original WildBlue Agreement") with WildBlue Communications, Inc., a Delaware corporation ("WildBlue"), through which NRTC obtained rights to market, promote, sell and distribute satellite-based Internet access services and related products to end users in the continental United States, including through its Eligible Members (as defined in Exhibit A hereto);

WHEREAS NRTC has been providing Member with the nonexclusive right to market, promote, sell and distribute such services and products, and Member holds the right to market, promote, sell and distribute such services and products to Customers pursuant to an existing NRTC/Member Agreement for Marketing and Distribution of WildBlue Services (the "Original Member Agreement");

WHEREAS Section 13.8 of the Original Member Agreement provides that NRTC, in its discretion, may modify, amend, restate or terminate all or any portion of the Original Member Agreement for purposes, among others, of ensuring NRTC's continued compliance with the Original WildBlue Agreement, as same may be amended from time to time;

WHEREAS, following its exercise of "most favored nation" rights under the Original WildBlue Agreement and in order to gain benefits for Member and itself, NRTC has amended and restated the Original WildBlue Agreement, in its entirety, as of August 1, 2006 (the "WildBlue Agreement");

WHEREAS NRTC and Member wish to hereby amend and restate the Original Member Agreement, in its entirety, to reflect and give effect to the revised terms of the WildBlue Agreement in order to benefit Member and NRTC;

NOW, THEREFORE, in consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, NRTC and Member hereby agree as follows:

1. **Definitions.** Certain capitalized terms not otherwise defined in this Agreement shall have the meanings set forth in Exhibit A attached hereto.

2. **Distribution of WB Service.**

2.1 **Distribution Rights.**

(a) **Authorization.** Member shall have the non-exclusive right to market, promote, sell and distribute to Customers, directly and through Authorized Agents, the CPE and WB Service ("Distribution Rights"). Without NRTC's prior written consent (which may be withheld in NRTC's Discretion and is also subject to WildBlue's approval), Member and its Authorized Agents shall not distribute, sell, offer for sale or otherwise use the CPE for any purpose other than for providing WB Service. In the event

NRTC obtains the right to distribute Additional WB Services, which are not bundled in any WB Service Package, which NRTC may authorize Members to distribute, NRTC will offer Member the right to distribute such Additional WB Services on terms and conditions specified by NRTC in NRTC's Discretion, pursuant to the terms of an Addendum to this Agreement.

(b) **WildBlue Services Offered.** During the Term, Member may market, promote, sell and distribute WB Service to Customers. During the Continuity Period, Member may only market, promote, sell and distribute WB Service to then existing Customers. Member has the right to determine the terms on which it may offer the WB Service, except for such terms as NRTC may from time to time specify. Neither Member nor any Authorized Agent shall sell WB Service, without NRTC's prior written consent, to any individual or entity known to Member (after reasonable inquiry) to have accounts for WB Service at five or more locations.

(c) **Sales Channels.** Member may market, promote, sell and distribute WB Service and the CPE to Customers through internal sales channels, its Affiliates and Authorized Agents. Neither Member nor any Authorized Agent shall use or contract with any Master Agent to market, promote, sell, distribute or install WB Service or the CPE to Customers, or to identify, solicit, manage or compensate Authorized Agents, except as authorized by NRTC. Neither Member nor any Authorized Agent may sell the CPE or WB Service to third-party providers for further resale or distribution. Member may offer WB Service through multiple physical sales locations having Member's primary brand or name as the primary name on the retail storefront, and may advertise and offer WB Service through online e-commerce sites. Upon notice from NRTC, Member shall stop selling or installing WB Service through any third party entity or person that NRTC or WildBlue identifies as having committed any acts of dishonesty or fraud in its or his dealings with WildBlue. NRTC shall have the right to review and approve the form of each contract between Member and an Authorized Agent relating to WB Service or the CPE (an "Authorized Agent Agreement"), and shall be designated as an express third party beneficiary under any Authorized Agent Agreement.

(d) **Customer Agreements.** Prior to receiving WB Service, each Customer shall agree to be bound by and subject to the terms of the standard agreement that WildBlue uses for Subscribers of the WB Service Package for which such Customer subscribes (the "Customer Agreement"). NRTC shall provide the form of WildBlue's Customer Agreement to Member as soon as reasonably practicable. Member may propose to NRTC changes or modifications to the Customer Agreement for use by Member, subject to WildBlue's prior written approval, which may be withheld in its sole and absolute discretion. WildBlue has agreed to approve any such changes or modifications that are reasonably necessary to comply with any applicable state and local laws. NRTC shall forward to Member any notice NRTC receives from WildBlue of WildBlue's enforcement actions against a Customer.

2.2 **WB Service and Technical Requirements.**

(a) **[INTENTIONALLY OMITTED.]**

(b) **Satellite Determination.** WildBlue shall determine in its sole and absolute discretion, which satellite shall serve each Customer, and may from time to time change such satellite; provided, that in the event of any such satellite change, WildBlue shall either pay any and all direct costs related to repositioning the CPE or other WildBlue-provided equipment or perform the CPE repositioning itself, subject to Member's then current business practices regarding service calls. In the event of such satellite

change and/or repositioning, Member agrees to work in good faith with NRTC and WildBlue to effect an orderly satellite change and/or repositioning, and shall be entitled to be reimbursed by NRTC for up to \$75.00 of its reasonable direct costs for performing services related to any such repositioning, if and to the extent NRTC receives a corresponding reimbursement from WildBlue pursuant to the provisions of the WildBlue Agreement.

(c) **Bandwidth Management.** Member acknowledges that WildBlue may from time to time, without prior notice to Member, restrict the bandwidth and other system resources consumed by Customers and other Subscribers of similar WB Service Packages, according to any Fair Access Policy as then in effect. WildBlue and/or NRTC may take other reasonable actions to enforce the terms of a Customer's Customer Agreement directly against a Customer, including immediately terminating such Customer's access privileges.

2.3 Training. NRTC shall provide training to Member (and, as Member may reasonably request, Member's Authorized Agents) in the installation, use, operation and support of WB Service from time to time during the Term at such time and location and for such fees as NRTC may designate. Member (and, as the case may be, its Authorized Agents) shall attend such training at its own expense.

2.4 ISP Services.

(a) **ISP Services.** ISP Services shall be provided in accordance with Exhibit G.

(b) **INTENTIONALLY OMITTED.**

2.5 Customer Support. NRTC shall provide NRTC Tier 1 Customer Support to Customers for and on behalf of Member, and NRTC Tier 2 Customer Support to Member. Member shall comply with such customer service policies and procedures as NRTC and WildBlue may from time to time implement, shall provide Customers with accurate contact information for their respective NRTC Tier 1 Customer Support or Member Tier 1 Customer Support customer care representatives, and direct Customers to exclusively utilize NRTC Tier 1 Customer Support or Member Tier 1 Customer Support. Member shall not contact WildBlue's customer support directly, and shall use commercially reasonable efforts to prevent Customers from attempting to do so.

2.6 Service Availability.

(a) **Service Specifications.** The WildBlue Agreement provides that the WB Service shall at a minimum have the capability and functionality, and satisfy the service level specifications, generally set forth in the Service Specifications attached as Exhibit A-1. In the event of a service interruption or service failure, if and to the extent NRTC receives a corresponding credit from WildBlue pursuant to the provisions of the WildBlue Agreement respecting such service interruption or service failure, NRTC will provide a credit to Member. Notwithstanding anything herein to the contrary, and subject to the provisions of Section 11.3, such credit shall be Member's sole remedy for such service interruption or service failure.

(b) **Service Failure.** In the event of a service failure, if Member receives from NRTC any refunds, billing adjustments and cessations of billing, Member shall provide its affected Customers the full benefit of same.

3. Member's Obligations.

3.1 Member Functions. Member shall be responsible for and shall perform all sales, installation, account management and billing and collections services in connection with the provision of WB Service and the CPE to Customers.

3.2 Installation. Member agrees that no technician shall install WB Service or the CPE for Customers or provide other related services to Customers on behalf of Member until such technician has passed standard WildBlue certification testing, or equivalent certification testing provided by NRTC at Member's (or, as applicable, the Authorized Agent's) expense. Member and its Authorized Agents shall allow only WildBlue- or NRTC-certified technicians in good standing (as determined by reference to WildBlue policies) to perform installations and service. Member and its Authorized Agents shall perform all installations of the CPE according to installation procedures and standards determined by WildBlue or NRTC, which procedures and standards may be updated or modified from time to time, and shall be responsible for correcting nonconforming installations as provided in Exhibit H. NRTC may disqualify any specific technician or installation entity for failure to meet installation and service standards.

3.3 Customer Support; Customer Restrictions. Member shall provide usual and customary customer care to Customers, including: (i) availability 24 hours per day, 365 days per year (directly as to billing questions and other support (without deductions for the Business Support Fees as set forth in Section 4.5) and/or through NRTC via NRTC Tier 1 Customer Support); and (ii) assisting Customers with processing CPE warranty claims. Member may offer service warranties to Customers at its discretion in addition to any applicable warranties provided by CPE manufacturers. Member shall submit all warranty claims through NRTC to the applicable CPE manufacturer (to the extent provided in the underlying CPE manufacturing agreement). Member and its Authorized Agents, as the case may be, shall be solely liable for any warranty claims relating to any additional warranties they may provide. NRTC shall have no liability to Member, Authorized Agents, Customers or any other person for warranty claims on the CPE. Member shall use commercially reasonable efforts to cause each Customer to comply with its obligations under its Customer Agreement

3.4 Sales and Promotional Activities. Member and Authorized Agents shall use commercially reasonable best efforts to promote the sale and installation of the CPE and WB Service. Member shall honor any promotions offered and paid for by WildBlue and/or NRTC, as NRTC may from time to time require.

3.5 Billing and Collection.

(a) **General.** Member shall perform all Customer billing and collection functions. Member may bill its Customers for WB Service and/or the CPE together with bills for other services. Failure to bill Customers or a Customer's failure to pay shall not reduce or relieve Member's payment obligations to NRTC.

(b) **[INTENTIONALLY OMITTED].**

3.6 Account Management System/Provisioning Interface. Member and its Authorized Agents shall access and interconnect with WildBlue's Subscriber account management systems through NRTC, via a provisioning interface developed by WildBlue (the "Provisioning Interface") to order, set up, and manage the WB Service and other Customer-related activities and to provide information reasonably necessary to enable Member to bill Customers.

3.7 Customer Data.

(a) **Required Data.** At the time of installation, Member shall provide NRTC and WildBlue with the following "Customer Data" for each active Customer account: name, address, zip code, telephone number, email address, WB Service Package purchased, length of contract, amounts paid for the CPE and installation, the name of the installer and a unique identifying number (of a type determined by NRTC) for each of the Member and the installer.

(b) **Ownership Rights; Use by NRTC.** Member shall have ownership rights in the Customer Data; provided, however, that Member shall permit NRTC and WildBlue to use and access Customer Data to perform their respective obligations under this Agreement and any related agreements, including without limitation for the provision of WB Service to Customers. Member agrees to cooperate reasonably with NRTC, as may be requested from time to time, to facilitate general communications between WildBlue and Customers (by email or other means).

(c) **No Sales by Member.** Member shall not sell any Customer Data to any third party without NRTC's prior consent. In all events no Customer Data shall be sold to a third party unless such third party agrees in writing with Member and NRTC not to use such Customer Data to offer, market, promote, sell or distribute any non-WildBlue Internet access service to any Customers. The Authorized Agent Agreement shall provide that the Authorized Agent shall not have any right to sell Customer Data to third parties.

(d) **Reporting.** Upon NRTC's request, Member shall furnish to NRTC confirmation that Member has not become an Affiliate of a Specified Person.

3.8 [INTENTIONALLY OMITTED.]

3.9 [INTENTIONALLY OMITTED.]

3.10 Branding/Consumer Advertising. Unless otherwise agreed by NRTC in NRTC's Discretion, Member shall offer WB Service under the WildBlue brand name through December 31, 2006. Thereafter, the use of the WildBlue brand shall be only in accordance with such approvals, rules and guidelines as may be established from time to time by WildBlue and communicated through NRTC to Member. Through December 31, 2006, (a) Member may indicate its involvement in WB Service, including the CPE, in a non-primary role (i.e., 50% or less in terms of font size when compared to the WildBlue-defined brand) as being "brought to you by {Participating Member name}"; (b) Member may answer customer service lines as "WildBlue, brought to you by {Participating Member name}," "{Participating Members name}, a WildBlue authorized service provider" or words to similar effect approved by WildBlue; and (c) Member and its Authorized Agents shall comply with WildBlue's "style

guide” for all use of the WildBlue logo and name and specifically, Member will provide all advertisements to NRTC for approval by WildBlue. All subsequent advertisements that are the same or substantively the same as previously approved advertisements will not require such approval by WildBlue. At all times during the Term, NRTC shall control the branding of the WB Service in accordance with terms established and/or approved by WildBlue and CPE being offered to Subscribers in accordance with any agreement NRTC may reach with WildBlue regarding such matters. Any use of NRTC’s brands or WildBlue’s brands by Member in connection with any marketing literature, customer service representative scripting, automated voice response telephone messaging, websites or otherwise, shall be in accordance with such terms and conditions as NRTC, in NRTC’s Discretion, may specify in advance.

3.11 License. NRTC hereby grants to Member a non-exclusive, royalty-free, limited sub-license to use WildBlue trademarks, service marks and trade names to the extent licensed to NRTC under the WildBlue Agreement or Section 3.10 above, solely in connection with marketing, promoting, distributing, and selling WB Service and the CPE pursuant to and in accordance with this Agreement. Such sub-license is not transferable, except that Member may grant sub-licenses under such sub-license to its Authorized Agents. All such uses shall be in accordance with WildBlue's policies as modified from time to time in its sole and absolute discretion. WildBlue shall retain all right, title and interest in and to its trademarks, service marks and trade names worldwide, including any goodwill associated therewith. Any use of any such trademarks by Member and its Authorized Agents shall inure to the benefit of WildBlue, and Member and its Authorized Agents shall take no action that is inconsistent with WildBlue’s ownership thereof. Upon the expiration or termination of this Agreement, including the expiration or termination of the Continuity Period, Member and its Authorized Agents shall cease using the trademarks, service marks and/or trade names of WildBlue, except: (i) to the extent required to honor and carry out the provisions of this Agreement or the related Authorized Agent Agreements and any Customer Agreements then in effect and which are consistent with the terms of this Agreement, or (ii) to the extent required by applicable law.

3.12 Taxes. Member shall collect and remit to the relevant taxing authority all applicable taxes imposed by any local, state, national or international, public or quasi-public governmental entity payable by Customers which arise from the sale and installation of the CPE and/or the provision of WB Service to Customers. Any other taxes, fees, etc. arising out of this Agreement shall be paid by the Party, if any, responsible for paying such taxes under applicable law. Member will tender to NRTC all relevant federal, state and/or local resale tax and regulatory exemption certificate(s) or statement(s) covering all WB Service or CPE or related hardware or other materials as may be requested by NRTC from time to time.

3.13 [INTENTIONALLY OMITTED.]

3.14 Sale, Assignment, Delegation or Transfer of Rights and Obligations by Member.

(a) **General.** Member may not sell, assign, delegate or transfer (“Transfer”) any rights or obligations under this Agreement, and/or any of its rights or obligations under any of its agreements with its Customers (collectively, “Member Rights and Obligations”), whether by sale of assets or stock, merger, consolidation or other reorganization, including by operation of law or order of court or other governmental authority (each a “Transfer Event”), except as expressly permitted in Section 3.11 and this Section 3.14.

(b) **Certain Restrictive Provisions.** In no event may Member Transfer its Member Rights and Obligations to any entity doing business as, or succeeding to the business of, any Specified Person without the prior written consent of NRTC which consent may be withheld by NRTC in NRTC's Discretion.

(c) **Certain Permitted Transfers.** Subject to Section 2.1(b), Member may Transfer all, but not less than all of its Member Rights and Obligations to a wholly-owned subsidiary (provided that any subsequent Transfer of such wholly-owned subsidiary, or of a controlling interest therein, shall constitute a Transfer Event subject to the restrictions set forth in this Section 3.14) or to a Successor without complying with the provisions of Section 3.14(d), if all other requirements of this Agreement are satisfied.

(d) **Right of First Refusal Provisions.** Subject to the provisions of Section 3.14(b), not earlier than 30 months after the date of Commercial Launch, Member may Transfer all, but not less than all, of its Member Rights and Obligations, provided that (i) the transferee is an Eligible Member at the time of Transfer (and the time of Transfer notice), (ii) the Transfer Event is approved by NRTC and (iii) Member complies with any applicable Transfer or right of first refusal policies of NRTC, as may then be in effect.

3.15 Non-Solicitation by Member.

During the Term and for a 36-month period thereafter, Member (or any other entity or person subject to this Agreement) shall not directly or indirectly target or use any information provided by WildBlue or derived from exercise of its rights under this Agreement, or WildBlue's performance of its obligations under the WildBlue Agreement, to identify or solicit, induce or attempt to induce or otherwise provide an incentive to any active Subscriber to "switchout" or convert such Subscriber to any other competitive Internet access offerings (e.g., DSL or an alternative satellite-based Internet access service) or video offerings. Subscribers (including Customers) can become subscribers of Member's other Internet access offerings if they respond to generic, broad-based solicitations for such offerings. Member may not sell or provide information regarding Customers for any purpose other than Member's or its Authorized Agents' purpose of selling the WB Service to Customers pursuant hereto, installing CPE for the Service and servicing Customers.

3.16 Policies and Procedures.

(a) **Fair Access Policy.** Member and its Authorized Agents shall comply with any fair access policy and/or an acceptable use policy (collectively, "Fair Access Policy") established or modified from time to time by WildBlue to address Subscriber utilization of bandwidth.

(b) **Privacy and Other Policies.** NRTC shall provide Member notices and copies of WildBlue policies and procedures, or any changes or modifications to existing policies and procedures, upon NRTC's receipt of same from WildBlue. Subject to the requirements of applicable law, Member shall use commercially reasonable efforts to cause Customers to comply with such policies and procedures.

(c) **Member in Good Standing.** Member shall at all times use its best efforts to comply with any and all policies and procedures of NRTC, including policies and bylaws promulgated by NRTC's Board of Directors, as in effect from time to time ("Good Standing").

(d) **Communications with WildBlue.** Member agrees that any communication by or between it and WildBlue respecting WB Service, the CPE or any matter that is the subject of this Agreement, including in connection with installation through use of the Provisioning Interface, shall be made exclusively through NRTC, unless otherwise authorized in writing by NRTC.

(e) **Action by Member Against WildBlue.** Neither Member nor any of its Authorized Agents shall bring or participate in any action against WildBlue without NRTC's prior written consent, which consent may be withheld or conditioned by NRTC in NRTC's Discretion.

4. Service Packages, Pricing, Payments

4.1 Service Packages. The WB Service Packages offered and provided by WildBlue as of the date hereof are set forth on Exhibit I hereto. The Parties acknowledge that other WB Service Packages and offerings may be offered from time to time, and that Exhibit I may be updated accordingly from time to time by NRTC in NRTC's Discretion.

4.2 Pricing. Member shall determine the amounts charged to Customers for the CPE, installation, each WB Service Package, warranty service, support and any other related products or services. Member may charge additional fees for any enhancements it makes to service provided by WildBlue to the extent made available to its Customers.

4.3 Payments. For each Customer, Member shall pay NRTC the amounts specified in Exhibit B as in effect from time to time for the applicable WB Service Package, regardless of the amounts charged to or collected from Customers. Subject to the provisions of Section 13.8 and Exhibit B hereof, NRTC shall not increase any of the Service Package Pricing rates currently set forth in Exhibit B. Such payments shall be due within 15 days after Member's receipt of NRTC's written monthly invoice(s) (or in a mutually agreed upon electronic format sufficient to enable Member to bill its Customers) issued at the beginning of each monthly billing period for such WB Service. All other payments for other charges or amounts due NRTC under this Agreement shall be due 15 days after Member's receipt of an invoice. Payments made more than 15 days after receipt of an invoice (other than amounts disputed in good faith in writing by Member) shall bear interest at the rate of 1.5% percent per month from the due date to date of actual receipt by NRTC.

4.4 [INTENTIONALLY OMITTED.]

4.5 Business Support Fees. For each Customer, Member shall pay to NRTC, regardless of the amounts charged to or collected from Customers, a business support fee in consideration for NRTC's provision to Member and its Authorized Agents (if any) of access to training, access to marketing support, Web-based account management tools, NRTC Customer Service, ISP Services and management of the Parties' relationship with WildBlue ("Business Support Fee"). The Business Support Fee is specified in Exhibit D and may be adjusted by NRTC from time to time in NRTC's Discretion and set forth in an amended Exhibit D provided by NRTC. Member agrees to pay the full amount of such business support

fee on a timely basis consistent with policies and procedures established by NRTC from time to time in NRTC's Discretion, regardless of whether Member avails itself of any such services NRTC provides.

5. The CPE.

(a) **Purchase, Sale & Forecasting of the CPE.** Member shall purchase from or through NRTC or, at NRTC's option, from WildBlue or directly from NRTC's designated manufacturer(s), the CPE at prices and on such terms as NRTC shall specify. In no event will NRTC's CPE sales price charged to Member be more than NRTC's CPE and related costs, including shipping, processing and handling. Member further agrees that if the CPE manufacturers are unable to fill CPE orders, NRTC shall, in NRTC's Discretion, determine the manner of allocation and distribution of any CPE made available to it for distribution. Member shall comply with all CPE forecasting and ordering requirements specified by NRTC.

(b) **Notice of Upgrades.** NRTC shall provide notice to Member of all material upgrades and changes related to the CPE or any components thereof when NRTC receives such information from WildBlue.

6. Term/Termination.

6.1 Term. The initial term of this Agreement (the "Initial Term") shall commence upon the Effective Date and end on the tenth anniversary of Commercial Launch unless terminated earlier in accordance with this Agreement. The Initial Term may be extended (any such extension, the "Renewal Term") or reduced by NRTC, and any Renewal Term may be extended or reduced by NRTC, in each case in NRTC's Discretion, in accordance with any modification of the term of the WildBlue Agreement by WildBlue and/or NRTC pursuant to the terms of the WildBlue Agreement as set forth in Exhibit E.

6.2 Continuity Period. During the period commencing at the end of the Initial Term or any Renewal Term and ending on the date on which the total number of Subscribers that are sold WB Service by NRTC and its Members, in the aggregate, is less than 20,000 (the "Continuity Period"), Member shall continue to service and support all its Customers existing on the first day of the Continuity Period, and all such existing Customers will remain covered on and under the financial and other terms of this Agreement as in effect at the end of the then current Term. Member and its Authorized Agents shall not offer, sell or distribute WB Service or the CPE to any new Customers during the Continuity Period. After the expiration of the Continuity Period, or at such later date as NRTC may specify, at NRTC's Discretion, all remaining Customers of Member shall become customers of NRTC or WildBlue, and Member will assign to NRTC or WildBlue all rights to future payments from such remaining Customers for use and access to WB Service, upon Member's receipt of an amount equal to \$100 per Customer at the end of the Continuity Period. Such amount shall be payable to Member in cash, securities, promissory notes, or in such combination or other manner as NRTC determines in NRTC's Discretion. Member will work with NRTC and, as applicable, WildBlue in good faith to ensure an orderly transition for any such Customers.

6.3 Termination.

(a) **Failure to Make Payment.** If Member fails to make any payment when due under this Agreement (other than amounts disputed in good faith by Member, with any undisputed portion of such

amount being paid), then NRTC may terminate this Agreement at any time thereafter upon 10 days' notice of termination to Member.

(b) **Breach.** If either Party breaches any obligation hereunder (other than Member's breach for failure to make a payment when due, which is subject to Section 6.3(a) above, Member's breach for failure to maintain its Good Standing, which is subject to Section 6.3(f) below, and Member's breach for failure to comply with the provisions Sections 13.4 and 13.8 hereof, which is subject to Section 6.3(g) below), and such breach remains uncured for 15 days following receipt of notice of such breach from the non-breaching Party (or such longer period reasonably required to cure such breach if the breaching Party diligently pursues cure within 15 days of receipt of such notice), then the non-breaching Party may terminate this Agreement effective immediately upon the provision of notice of termination to the breaching Party.

(c) **Bankruptcy.** Either Party may terminate this Agreement upon notice if: (i) the other Party ceases to carry on its business as a going concern; (ii) a receiver or similar officer is appointed for the other Party and is not discharged within 60 days after appointment; (iii) the other Party admits in writing its inability to pay debts as they mature, is adjudicated bankrupt, or makes an assignment for the benefit of its creditors or another arrangement of similar import; or (iv) any proceeding under any federal or state bankruptcy or insolvency law is commenced by the other Party, or is commenced against the other Party and is not converted, consented to or dismissed within 90 days.

(d) **[INTENTIONALLY OMITTED.]**

(e) **Termination of WildBlue Agreement.** This Agreement shall automatically terminate on the date specified in NRTC's notice to Member (without further action by either Party) if the WildBlue Agreement is terminated for any reason whatsoever, subject, however, to the Continuity Period.

(f) **Good Standing.** If at any time Member is not in Good Standing, NRTC may terminate this Agreement immediately upon giving notice of termination to Member.

(g) **Other Provisions.** This Agreement may be terminated in accordance with the provisions of Sections 13.4 and 13.8 hereof, without regard to the notice and cure provisions of Section 6.3(b).

(h) **[INTENTIONALLY OMITTED]**

6.4 Specific Performance. Member agrees that as a result of the nature and extent of the obligations of Member under this Agreement, neither termination nor money damages may be an appropriate and effective remedy for any breach by Member, and accordingly Member agrees that in the event of any breach or failure to perform any of the provisions of this Agreement by Member, NRTC may, in addition to any other rights, seek and obtain temporary restraining orders, injunctions and other appropriate equitable relief to restrain Member from breaching or failing to perform its obligations under this Agreement and/or to compel Member to specifically perform such obligations in accordance with the terms and provisions of this Agreement.

6.5 Effect of Termination. Except as provided herein, termination shall be without prejudice to any other right or remedy to which either Party may be entitled under this Agreement or applicable law. No termination of this Agreement shall in itself excuse either Party from its obligations

(including payment obligations) hereunder arising prior to the effectiveness of such termination, or after such termination pursuant to any provision of this Agreement that by its terms continues to apply after termination.

6.6 Survivability. The provisions of Sections 6.2, 6.4, 6.5, 10, 12 and 13 shall survive termination of this Agreement for any reason.

7. Capacity. Immediately upon notice from NRTC that all WildBlue satellite spot beams covering a geographic area have reached 80% or more of maximum capacity, Member and its Authorized Agents shall stop all marketing and promotional activities to prospective Customers in the geographic area served by such beams until further notice from NRTC. Immediately upon notice from NRTC that all spot beams have reached 90% of maximum capacity, Member and its Authorized Agents, as appropriate, shall stop marketing, selling and installing the WB Service in the geographic area served by such beams (the "Capacity Constrained Area") until such time as notified otherwise by NRTC.

8. Non-Solicitation. Neither Member nor any of its Authorized Agents shall knowingly (after reasonable inquiry) induce any Subscriber with WB Service established for a home to breach a current term contract for WB Service or install the CPE or provide WB Service to the home of any Customer known by the installing entity (after reasonable inquiry) to be receiving WildBlue satellite Internet access service from WildBlue or any of WildBlue's other retail or wholesale distributors. NRTC may, from time to time, seek approval from WildBlue of language to sales scripts in order to assist Member in its efforts to comply with its obligations hereunder to make reasonable inquiry.

9. Limitation on Certain Member Offerings.

(a) **No Competitive Offerings.** During the Term, Member may not offer, market, promote, sell or distribute, directly or indirectly, any two-way Internet service using Fixed Satellite Service satellites anywhere in the United States where WB Service is offered and meets Service Specifications. The foregoing prohibition will not in any way restrict Member from offering another two-way Internet service using Fixed Satellite Service satellites pursuant to a license which permits the addition of ancillary terrestrial components or other terrestrial two-way Internet connectivity service, subject to the terms of Section 3.15 and NRTC's prior written approval.

- (b) **[INTENTIONALLY OMITTED].**
 - (i) **[INTENTIONALLY OMITTED].**
 - (ii) **[INTENTIONALLY OMITTED].**
 - (iii) **[INTENTIONALLY OMITTED].**
- (c) **[INTENTIONALLY OMITTED].**
- (d) **[INTENTIONALLY OMITTED].**

10. Confidentiality. The Parties shall hold in confidence all provisions of this Agreement and all information provided by either Party to the other in connection with this Agreement. The Parties agree that all information related to this Agreement, not otherwise known to the public, is confidential and proprietary and is not to be disclosed to third persons (other than to Affiliates, officers, directors,

employees and agents of the Parties, each of whom is bound by this provision) without the prior written consent of both Member and NRTC, except: (i) at the written direction of the other party; (ii) to the extent necessary to comply with law or valid order of a court of competent jurisdiction, in which event the party shall notify the other party as promptly as practicable (and, if possible, prior to making any disclosure) and shall seek confidential treatment of the information; (iii) as part of its normal reporting or review procedures to its parent company, its auditors and its attorneys who agree to be bound by this Section; (iv) in order to enforce any rights pursuant to this Agreement; (v) in order to comply with the provisions of any programming agreements or copyright licensing requirements; (vi) to obtain appropriate insurance, provided the insurance company agrees in writing to be bound by this Section; (vii) to obtain financing, provided that any person or entity providing financing agrees in writing to be bound by this Section; (viii) to obtain programming or content-based services; and (ix) to the extent NRTC may be permitted or required to disclose information or provide this Agreement to WildBlue under the WildBlue Agreement.

11. Representations and Warranties.

11.1 Authority, Etc. NRTC and Member each represents and warrants to the other that it has all requisite power and authority (i) to execute, deliver and perform this Agreement and all agreements, documents and instruments executed and delivered by each in connection with this Agreement; (ii) to own, lease or operate its property and assets; and (iii) to carry on its business as presently conducted and as to be conducted.

11.2 Additional Representations and Warranties of Member.

(a) **No Affiliation With Specified Persons.** Member hereby represents and warrants that it is not an Affiliate of any entity currently doing business as HNS, SkyTerra, Apollo, Eutelsat, Liberty Media, DIRECTV, , EchoStar, Gilat, Intelsat, Loral, News Corp., Pegasus SpaceWay, StarBand, TeleSat, or ViaSat, or any Affiliate, successor or assign of any such entity (each, a "Specified Person" and, collectively, the "Specified Persons").

(b) **[INTENTIONALLY OMITTED.]**

11.3 No Service Warranty. NRTC MAKES NO WARRANTIES OR REPRESENTATIONS TO MEMBER, ANY AUTHORIZED AGENT, ANY CUSTOMER, OR TO ANY OTHER PERSON AS TO ANY MATTER WITH RESPECT TO WHICH WILDBLUE IS RESPONSIBLE UNDER THE WILDBLUE AGREEMENT OR OTHERWISE, INCLUDING WITHOUT LIMITATION PERFORMANCE OF THE WB NETWORK, ANY WB SERVICE OR THE CPE.

11.4 Disclaimer. EXCEPT AS EXPRESSLY SPECIFIED IN THIS AGREEMENT, NEITHER PARTY MAKES ANY REPRESENTATION OR WARRANTY OF ANY KIND IN CONNECTION WITH THE SUBJECT MATTER OF THIS AGREEMENT, AND EACH HEREBY DISCLAIMS ANY AND ALL IMPLIED WARRANTIES, INCLUDING, WITHOUT LIMITATION, ALL IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND ANY AND ALL WARRANTIES ARISING FROM COURSE OF DEALING OR COURSE OF PERFORMANCE.

12. Indemnification.

12.1 Indemnification by NRTC. NRTC shall indemnify, defend and hold harmless Member, its Authorized Agents and its and their respective Affiliates and permitted successors and assigns, and their respective officers, directors, employees, consultants and agents (each, a "Member Indemnitee") from and against any claims, suits, proceedings, losses, liabilities, damages, penalties, fines, costs and expenses (including, but not limited to, reasonable attorneys' fees and all amounts paid in the investigation, defense or settlement of any or all of the foregoing) ("Claims") that arise out of, or are incurred in connection with, any breach by NRTC of any of its representations, warranties, covenants or obligations set forth in this Agreement. Notwithstanding anything to the contrary in this Agreement, NRTC shall not indemnify Member from any Claims that arise out of or are incurred in connection with any breach by WildBlue of its representations, warranties, covenants or obligations, or any failure of WB Service or the CPE, regardless of whether such breach or failure may also constitute a breach of any representation, warranty, covenant or obligation of NRTC set forth in this Agreement.

12.2 Indemnification by Member and Authorized Agents. Member shall, and shall cause each of its Authorized Agents to, indemnify, defend and hold harmless NRTC, its Affiliates (excluding, however, Member), successors and assigns, and their respective officers, directors, employees, consultants and agents (each, an "NRTC Indemnitee") from any Claims that arise out of or are incurred in connection with:

(a) the conduct of Member's or any of its Authorized Agents' operations or the exercise by any such person of its rights under or pursuant to this Agreement, any Authorized Agent Agreement, or any Customer Agreement, or relating in any way to such person's provision of WB Service or the CPE, including without limitation any third party claim (including by WildBlue) arising from the marketing, promotion, distribution or sale of the WB Service (which shall include without limitation any Claim that Member's or any of its Authorized Agents' portals, trademarks, service marks, trade names, designations, logos or other marks, or any of its or their intellectual property used in conjunction with the Distribution Rights, infringes or violates any third party's copyright, U.S. patent, trade secret, service mark, trademark or any other intellectual property rights), the installation of any CPE, the billing and collection for, or service and support of, the WB Service, or any other communication, contact or dealing among NRTC, Member, any other Participating Members, or any of their Authorized Agents, or between any of them and any Customer, or any act, omission, circumstance or event relating thereto;

(b) any breach by Member of any of its representations, warranties, covenants or obligations set forth in this Agreement; and

(c) any Claim asserted directly or indirectly by Member or any of its Affiliates or Authorized Agents against WildBlue.

12.3 Indemnification Procedures. Each Party's obligation to indemnify the other Party is conditioned upon the Party seeking indemnification (the "Indemnified Party") promptly notifying the indemnifying Party (the "Indemnifying Party") of any Claims for which indemnification is sought; provided that failure to provide notification shall not relieve a Party of its indemnification obligation if such failure does not materially prejudice the Indemnifying Party's ability to defend such Claim. Within ten days after delivery of such notification, the Indemnifying Party may, upon written notice to the Indemnified Party, assume control of the defense of such Claim with counsel reasonably satisfactory to

the Indemnified Party; provided that the Indemnifying Party may only assume control of such defense if (i) it provides reasonable assurances to the Indemnified Party that it has the financial capability to fund the costs of such defense, (ii) the Claims do not involve criminal liability or seek equitable relief and (iii) the interests of the Indemnifying Party and the Indemnified Party with regard to such Claim are not in conflict, as reasonably determined by the Indemnified Party. If the Indemnifying Party does not assume control of the defense, the Indemnified Party shall control such defense and the costs thereof shall be included in the Claims indemnified under this Section 12, provided, however, that detailed information substantiating such costs shall be provided to the Indemnifying Party in a timely manner. The Parties shall reasonably cooperate in the defense of any Claims, and whichever Party has not assumed control of the defense of any Claim may, at its own expense, participate in such defense with counsel of its own choosing. The Party controlling defense shall have the right to settle any Claims; provided, however, that if any settlement materially affects the Party not controlling the defense, then such settlement shall require the advance written consent of the non-controlling party (which consent will not unreasonably be withheld). No Indemnifying Party shall, without the consent of the Indemnified Party, consent to entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such Claim. The Indemnifying Party shall not be liable for any settlement of any such action effected without its written consent (which consent will not unreasonably be withheld), but if settled with its written consent, or if such consent is unreasonably withheld, conditioned or delayed, or if there is a final judgment for the plaintiff in any such action or proceeding, the Indemnifying Party shall indemnify and hold harmless the Indemnified Party from and against any loss or liability by reason of such settlement or judgment.

12.4 Limitation on Indemnification. The Indemnifying Party shall not be required to indemnify the Indemnified Party to the extent of any insurance proceeds actually received by the Indemnified Party. If an Indemnified Party receives any insurance proceeds after a Claim has been paid by the Indemnifying Party, such Indemnified Party shall promptly return such payment to the Indemnifying Party to the extent of such proceeds received. An Indemnified Party will not be entitled to indemnification with respect to punitive damages assessed against such Indemnified Party, except in the case of fraud or willful misconduct of the Indemnifying Party to which such punitive damages are attributed.

13. Miscellaneous.

13.1 Independent Contractors. Notwithstanding that Member is a member of NRTC, neither Party is, nor shall be deemed to be, an agent, partner, joint venturer or representative of the other Party, and neither Party shall have any right, power or authority to enter into any agreement for or on behalf of, or incur any obligation or liability, or to otherwise bind the other Party, other than as expressly provided herein.

13.2 Severability. It is the intention of the Parties hereto that the provisions of this Agreement shall be enforced to the fullest extent permissible under all applicable laws and public policies, but that the unenforceability of any provision hereof (or the modification of any provision hereof to conform with such laws or public policies, as provided in the next sentence) shall not render unenforceable or impair the remainder of this Agreement. Accordingly, if any provision shall be held by a court or other tribunal of competent jurisdiction to be unenforceable, either in whole or in part, this Agreement shall be deemed amended to delete or modify, as necessary, the invalid or unenforceable

provisions and to alter the balance of this Agreement in order to render the same valid and enforceable, consistent (to the fullest extent possible) with the intent and purposes hereof.

13.3 Costs. Except as otherwise expressly provided in this Agreement, each Party shall bear and pay all of its own costs and expenses incurred in negotiating and preparing this Agreement and any related documentation and performing its obligations and providing its services and other deliverables under this Agreement.

13.4 Binding Effect/Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective permitted successors and permitted assigns. Except as otherwise expressly provided in Sections 3.11 and 3.14 Member may not Transfer this Agreement or any of its rights or obligations hereunder without the consent of NRTC. NRTC may Transfer this Agreement and its rights and obligations hereunder, in whole or in part, without the consent of Member.

13.5 Notices. All notices required under this Agreement shall be in writing and shall be given by personal delivery, or sent by facsimile transmission, overnight courier service, or certified mail postage prepaid, to the Parties at their respective addresses or facsimile numbers set forth on the signature page. All notices shall be deemed effective upon transmission by facsimile with confirmation of receipt, upon personal delivery, upon delivery by any overnight courier service with delivery confirmation or three business days following mailing with the U.S. Postal System, in accordance with this Section. Any Party may change its address for notice, by giving notice of change of address in the manner provided in this Section.

13.6 Governing Law; Jurisdiction; Attorneys' Fees. This Agreement shall be governed by the laws of the District of Columbia without regard to its conflict of laws provisions. All actions with respect to this Agreement shall be brought in Fairfax County, Virginia, and the Parties expressly consent to the personal jurisdiction of such courts. Each Party shall have the right to obtain injunctive relief, if necessary, in order to prevent the other Party from willfully breaching its obligations under this Agreement or to compel the other party to perform its obligations under this Agreement. Except as otherwise provided in Section 12.3, in the event any proceeding is brought by either Party in connection with this Agreement, the prevailing Party in such litigation or other proceeding shall be entitled to recover from the other Party all costs, reasonable attorneys' fees and other reasonable expenses incurred by such prevailing Party in such litigation.

13.7 Waiver. No waiver of any provision of this Agreement, or any rights or obligations of either Party under this Agreement, shall be effective unless in writing signed by the Party waiving compliance, and any such waiver shall be effective only in the specific instance and for the specific purpose stated in such writing.

13.8 Entire Agreement; Amendment. This Agreement and the Exhibits attached hereto constitute the entire agreement between the parties, amend and restate the Original Member Agreement, as amended, in its entirety, and supersede all previous understandings, commitments and representations concerning the subject matter hereof. Each Party acknowledges that the other Party has not made any representations other than those that are contained in this Agreement and the Exhibits. The Exhibits may be amended or modified from time to time by NRTC in NRTC's Discretion. The terms and conditions of this Agreement may not otherwise be modified or amended other than in writing signed by both Parties. NRTC, in NRTC's Discretion, may modify, amend, restate or terminate all or any portion of this

Agreement in connection with a decision to exit the WildBlue distribution business, for purposes of ensuring NRTC's continued compliance with the WildBlue Agreement (as the same may be amended from time to time) or otherwise, and Member hereby agrees to execute such documents, and take all such other actions, as NRTC may in its discretion request in order to effectuate such purposes, regardless of the economic or other impact or damage to Member or any other person that may result therefrom.

13.9 Execution in Counterparts and by Facsimile. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. This Agreement may be executed and delivered by facsimile and shall have the same force and effect as delivery of an original document with original signatures.

13.10 Force Majeure Events. Any failure or delay in performance by a Party (other than of payment obligations) shall not be deemed a breach of this Agreement by such a Party, if such failure or delay results from or is caused by any Force Majeure Event.

13.11 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

13.12 No Inference. No provision of this Agreement will be interpreted against any Party solely because the Party or its legal representatives drafted or participated in the drafting of the provision.

13.13 Cooperation. From time to time, each Party shall cooperate in good faith with the other Party in order to carry out the provisions of this Agreement. Each Party shall make, execute, acknowledge and deliver such instruments, agreements, consents, assurances and documents, and take all such other actions, as the other Party may reasonably request and as may reasonably be required in order to effectuate the purposes and intents of this Agreement and to carry out its terms.

13.14 Limitation on Damages. NO PARTY SHALL BE LIABLE TO THE OTHER PARTY, SUCH OTHER PARTY'S AUTHORIZED AGENTS OR ITS CUSTOMERS, OR ANY OTHER ENTITY CLAIMING THROUGH OR UNDER SUCH OTHER PARTY FOR ANY LOSS OF PROFITS OR INCOME, LOSS OF DATA OR OTHER TANGIBLE OR INTANGIBLE BUSINESS LOSS OR OTHER CONSEQUENTIAL, PUNITIVE, INCIDENTAL OR SPECIAL DAMAGES, EVEN IF SUCH PARTY HAD BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT.

13.15 WildBlue Agreement. This Agreement is subject to the terms and conditions of the WildBlue Agreement. This Agreement is not intended to and does not confer to Member any rights inconsistent with or greater than the rights obtained by NRTC from WildBlue for conveyance to Member pursuant to the WildBlue Agreement. In the event of any conflict between this Agreement and the WildBlue Agreement as to NRTC's rights and obligations, the WildBlue Agreement shall control. Member is not a party to or a third party beneficiary of the WildBlue Agreement.

13.16 WildBlue's Third Party Beneficiary Rights. WildBlue shall have the rights of an express third party beneficiary solely under and with respect to those provisions of this Agreement or any Authorized Agent Agreement, including, as applicable, Section 6.4 of this Agreement, that are reasonably required to (i) preserve the integrity of the WB Network; (ii) prevent the use or operation of the WB Network or WB Service in violation of applicable law or regulation; or (iii) protect WildBlue's property

rights, including trademarks and other intellectual property rights, and reputation. WildBlue may temporarily disconnect any Customer under any Customer Agreement of which WildBlue may be a third party beneficiary without notice or opportunity to cure if the associated delay would harm the integrity of the WildBlue network or disrupt other Subscribers . Except as expressly set forth in this Section 13.16, WildBlue shall not be, and shall not have the rights of, an express third party under this Agreement or any Authorized Agent Agreement. No Authorized Agent shall have, or be entitled to exercise or enforce, any rights as a third party beneficiary under this Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Parties have duly executed and delivered this Agreement as of the Effective Date set forth above.

[Member]

MEADE COUNTY R.E.C.C.

By: BURNS E. MERCER

Name: Burns E. Mercer

Title: PRES./CEO

National Rural Telecommunications
Cooperative

By: _____

Name: _____

Title: _____

Notice Address:

Attn: _____

Facsimile: _____

Notice Address:

2121 Cooperative Way
Herndon, VA 20171

Attn: Jack Harvey

Facsimile: 703-787-9301

with a copy sent to the same address,
attention Mark Ellison,
Senior Vice President, Business Affairs
and General Counsel

EXHIBIT A

Definitions

1. **“Additional WB Services”** means any and all other products and services, in addition to WB Service, now or hereafter offered by WildBlue to end users in the continental United States, including other services such as, without limitation, VoIP, multiple dwelling unit services, video, telephony, streaming media and access to other content or data, whether or not bundled in any WB Service Package or separately sold or priced. All provisions of this Agreement applicable to WB Service shall apply to Additional WB Services if and when NRTC so determines in NRTC’s Discretion.
2. **“Affiliate”** means any entity that controls or is controlled by another entity, as determined by NRTC in NRTC’s Discretion.
3. **“Authorized Agent”** means any third-party dealer or retailer that is not otherwise prohibited from distributing WB Service; provided, however, Eligible Members, multi-state retail chains, retailers with more than three physical store locations, online retailers that sell in more than one State, Specified Persons, Master Agents and Affiliates of any of the foregoing, may not be Authorized Agents without the prior written consent of NRTC.
4. **“Authorized Agent Agreement”** has the meaning given in Section 2.1(c).
5. **“Business Support Fee”** has the meaning given in Section 4.5.
6. **“Capacity Constrained Area”** has the meaning given in Section 7.
7. **“Commercial Launch”** means June 1, 2005.
8. **“Confidential Information”** means any and all information related to the services and/or business of a party that is treated as confidential or secret by the party (that is, it is the subject of efforts by the disclosing party that are reasonable under the circumstances to maintain its secrecy) including, but not limited to, the terms and conditions of this Agreement and all Confidential Information of WildBlue.
9. **“Continuity Period”** has the meaning given in Section 6.2.
10. **“CPE”** means the hardware (one WildBlue modem and one Ka-Band outdoor unit (mount, dish, electronics)) and software provided by WildBlue (or its designated suppliers) sufficient to enable a Customer to access the WB Network from the Customer’s computer and capable of receiving WB Service, but excluding wiring, Ethernet or USB network interface hardware in the Customer’s personal computer and any non-standard packaging or labeling requested by NRTC, Member or Member’s Authorized Agents. The current components of the CPE are listed on Exhibit F attached hereto.
11. **“Customer Agreement”** has the meaning given in Section 2.1(d).

12. **“Customer Data”** has the meaning given in Section 3.7.
13. **“Customers”** means residential and small office/home office end users in the continental United States that are sold WB Service by Member or its Authorized Agents. Such an end user is a **“Customer”** for a given month if authorized to use WB Service at any time during a billing month.
14. **“Distribution Rights”** has the meaning given in Section 2.1(a).
15. **“Effective Date”** has the meaning given in the introductory paragraph to this Agreement.
16. **“Eligible Member”** means any electric distribution cooperative, telephone cooperative or independent telephone company that maintains membership in Good Standing with NRTC as a Class A, Class B or Class C member, including as part of a group Class G member, and directly serves consumers and is not otherwise disqualified from eligibility to enter into a Member Agreement with NRTC.
17. **“Excluded Distributor”** has the meaning given in Section 8.
18. **“Fair Access Policy”** has the meaning given in Section 3.16(a).
19. **“Force Majeure Event”** means, with respect to any person or entity, any acts of God, labor dispute, weather, fire, flood, legal enactment, government order or regulation, acts or omissions of third parties, acts of war, insurrection, foreign or domestic terrorism, condemnation by eminent domain, or any similar cause beyond the reasonable control of such person or entity.
20. **“Good Standing”** has the meaning given in Section 3.16(c).
21. **“Initial Term”** has the meaning given in Section 6.1.
22. **“ISP Services”** means the e-mail, e-mail accounts, web-hosting, usenet and other related services listed on Exhibit G hereto that are provided to Subscribers as part of the standard WildBlue retail residential satellite Internet access service, as more fully described in Exhibit G.
23. **“Master Agent”** means any dealer, retailer or other person or entity, other than any Participating Member, that NRTC, in NRTC’s Discretion, determines is engaged in the business of identifying, soliciting, managing and/or compensating agents for the sale, distribution and/or installation of products or services relating to multichannel video programming, voice and/or data telecommunications, and/or Internet access, or that as a business identifies, solicits, manages or compensates at any point in time eight or more other Authorized Agents or installation agents for WB Service and/or the CPE.
24. **“Member”** has the meaning given in the introductory paragraph to this Agreement.
25. **“Member Agreement”** means any agreement between NRTC and any Class A, B, C or G member or associate of NRTC substantially similar in form and substance to this Agreement.
26. **“Member Indemnitee”** has the meaning given in Section 12.1.

27. **“Member ISP Services”** means ISP Services provided by Member and offered by Member to Customers.
28. **“Member Rights and Obligations”** has the meaning given in Section 3.14.
29. **“Member Tier 1 Customer Support”** means post-installation troubleshooting by Member with Subscribers and support by Member to Subscribers regarding WB Service and the use and operation of the CPE, including resolution of browser, e-mail, file transfer protocol, newsgroup and other internet-related issues, and coordination of service and warranty related matters.
30. **“NRTC”** has the meaning given in the introductory paragraph to this Agreement.
31. **“NRTC’s Discretion”** means the sole and absolute discretion of NRTC.
32. **“NRTC Indemnitee”** has the meaning given in Section 12.2.
33. **“NRTC ISP Services”** mean ISP Services provided by NRTC and offered by NRTC to Subscribers, as more fully described in Exhibit G.
34. **“NRTC Customer Service”** means NRTC Tier 1 Customer Support and/or NRTC Tier 2 Customer Support.
35. **“NRTC Tier 1 Customer Support”** means telephone-based post-installation troubleshooting by NRTC with Subscribers and support by NRTC to Subscribers regarding WB Service and the use and operation of the CPE, including resolution of browser, e-mail, file transfer protocol, newsgroup and other Internet-related issues, and coordination of service and warranty related matters.
36. **“NRTC Tier 2 Customer Support”** means telephone-based help designed to provide timely trouble-shooting of technical WildBlue installation, CPE or other customer-related issues for Member’s customer care supervisors, managers or installers.
37. **“Participating Member”** means an Eligible Member that has signed a Member Agreement.
38. **“Provisioning Interface”** has the meaning given in Section 3.6.
39. **“Renewal Term”** has the meaning given in Section 6.1.
40. **“Service Category”** means any one of the following services provided by Member to its customers: (i) provision of Internet access services in accordance with the terms hereof; (ii) local and/or long distance telephone services; (iii) satellite TV services; or (iv) “high speed” or broadband equivalent satellite Internet access service.
41. **“Service Specifications”** means the WildBlue specifications and service level agreement set forth on Exhibit A-1, as same may be amended from time to time.
42. **“Specified Person”** has the meaning given in Section 11.2(a).

43. **“State”** means any state of the continental United States and the District of Columbia.
44. **“Subscribers”** means end users of WB Service, including, as applicable, Customers.
45. **“Successor”**, as to any person, means a successor to all or substantially all of such person’s business as a going concern (whether by acquisition of all or substantially all of its assets or capital stock or other equity interests, merger or consolidation).
46. **“Term”** means the Initial Term and any Renewal Term.
47. **“Transfer”** has the meaning given in Section 3.14.
48. **“Transfer Event”** has the meaning given in Section 3.14.
49. **“VoIP”** means voice over internet protocol.
50. **“WB ISP Services”** means ISP Services provided by WildBlue for Customers, subject to such per Customer charges as NRTC may impose upon Member.
51. **“WB Network”** means WildBlue’s satellite networks and systems.
52. **“WB Service”** means an NRTC-branded version of the two-way, interactive, residential and small office/home office satellite-based, broadband Internet access service offered by WildBlue.
53. **“WB Service Package”** means the services provided by WildBlue as of the Effective Date as set forth on Exhibit I hereto (retail residential; small office/home office (exclusive of public schools)), but the Parties acknowledge that other WB Service Packages and offerings may be offered from time to time. The term “WB Service Package” does not include any un-bundled, additional or add-on services that may be offered from time to time by WildBlue for a separate fee additional to a single regular monthly fee.

EXHIBIT A-1

SERVICE SPECIFICATIONS

1.0 SERVICE LEVEL PARAMETERS

1.01 The capabilities, functionalities and service levels described in this Exhibit A-1 will constitute the "Service Specifications" as used in the Agreement. Service Specifications shall be measured by the following five parameters: (i) spot beam service availability; (ii) maintenance outage time; (iii) unplanned outage reporting; (iv) web browsing time; and (v) upload/download speeds (collectively, the "service level parameters").

1.02 NRTC shall report each of these service level parameters to Member no less than monthly, which reports may be made by providing Member electronic access to a web site or portal containing such information.

1.03 Reporting of spot beam service availability, maintenance outage time and unplanned outage reporting shall begin the first full calendar month after WildBlue has made the data available to NRTC. Reporting on web browsing time and upload/download speeds shall begin April 1, 2007 or the first month that WildBlue provides this data to NRTC.

2.0 SERVICE LEVEL PARAMETER DEFINITIONS

Spot-Beam Service Availability

2.0.1 Spot beam service availability shall be measured beam-by-beam based on subscriber connectivity to the Internet. Spot beam service availability shall be calculated on a carrier-hour basis under clear sky conditions and shall not include outage time due to scheduled maintenance. Spot beam service availability shall be calculated, for each spot beam, using a 30-day average.

2.0.2 The spot beam service availability minimum level is 97% uptime for subscriber connectivity to the Internet at all times through and including December 31, 2007, and a 99% uptime for subscriber connectivity to the Internet at all times from and after January 1, 2008.

Maintenance Outage Time

2.1.2 Gateway outages due to planned maintenance will be less than 18 hours per month for the period through and including December 31, 2007, less than 11 hours per month for the period January 1, 2008 through December 31, 2008, and less than 8 hours per month from and after January 2, 2009.

Unplanned Outage Reporting

2.2.1 Within than ten minutes after receipt, NRTC will provide Member with any report provided by WildBlue notifying NRTC of the occurrence of any downstream, beam, or gateway outages lasting more than 10 minutes that prevents more than 20% of associated Subscribers from connecting to the Internet (“Type-1 outages”). Within twenty minutes after receipt, NRTC will provide Member of any report provided by WildBlue of the occurrence any impairments or partial outages to DHCP, provisioning as well as intermittent connectivity or impaired network performance affecting one or more downstream carriers lasting more than 20 minutes (“Type-2 outages”).

Web Browsing Time

2.3.1 Median page download time averaged over [time] and across all beams will be less than 18 seconds, subject to factors outside its control.

Upload/Download Speeds

2.4.1 The upload/download speeds for the [Pro Pak] service, measured as a percentage or fraction of “up to” speeds, when averaged over [a day] in each of the fastest 90% of operational beams, will exceed 75%, and when averaged over [a day] in each of the slowest 10% of operational beams, will exceed 70%. Performance in the [Pro Pak] shall be determined for each operational beam by performing upload and download speed tests using a reference file server or servers, and by averaging the beam by beam results over a calendar month period. Based on network performance to date, WildBlue service tiers with slower speeds than Pro Pak, including Value Pak and Select Pak, are expected to have web browsing times better than Pro Pak relative to “up to” speeds.

3. EXCUSABLE FAILURE TO MEET SERVICE LEVELS

- a. NRTC shall not be liable to Member for service levels in a beam no longer providing service to Subscribers starting [30] days after Member receives written notification from NRTC that such beam has ceased operations.
- b. Please note that service level data collected during widespread denial-of-service attacks, volume spikes due to email viruses, spamming or other malicious acts may be discarded.

4. SERVICE CREDITS FOR LESS THAN ACCEPTABLE PERFORMANCE

No more than one Service Credit will be granted by NRTC to Member in any calendar month for each of the five service level parameters (i.e., spot beam service availability; maintenance outage time; unplanned outage reporting; web browsing time; and upload/download speeds).

Service Credits for any month shall not exceed the product of \$1.00 and the total number of Member Subscribers per month for any one or more of the service level failures.

In the event of multiple service level violations due to a common cause — for example a failure in maintenance outage time causes a failure in spot beam service availability — a Service Credit may be issued solely on the service level parameter identified by NRTC, in NRTC's Discretion, as the primary cause.

Service Credits are determined as follows:

Spot-Beam Service Availability. Subject to the terms of Section 3 of this Exhibit A-1, for each day of any calendar month, if spot beam service availability falls below the levels set forth in Section 2.0.2 above, and to the extent that WildBlue provides to NRTC a corresponding credit, NRTC will apply a Service Credit to the Member's wholesale invoice.

Maintenance Outage Time. Subject to the terms of Section 3 of this Exhibit A-1, for [each day of] any calendar month, if the maintenance outage time exceeds the times set forth at Section 2.1.2 above and to the extent that WildBlue provides to NRTC a corresponding service credit, NRTC will apply a Service Credit to the Member's wholesale invoice.

Unplanned Outage Reporting. Subject to the terms of Section 3 of this Exhibit A-1, for each day of any calendar month, if WildBlue's reporting of unplanned outages does not meet the standards set forth at Section 2.2.1 and to the extent that WildBlue provides to NRTC a corresponding service credit, NRTC will apply a Service Credit to the Member's wholesale invoice.

Web Browsing Time. Subject to the terms of Section 3 of this Exhibit A-1, for [each day of] any calendar month, if web browsing time exceeds the times set forth in Section 2.3.1 and to the extent that WildBlue provides to NRTC a corresponding service credit, NRTC will apply a Service Credit to the Member's wholesale invoice.

Upload/Download Speed. Subject to the terms of Section 3 of this Exhibit A-1, for [each day of] any calendar month, if any upload/download speed falls below the applicable level set forth in Section 2.4.1, and to the extent that WildBlue provides to NRTC a corresponding service credit, NRTC will apply a Service Credit to the Member's wholesale invoice.

5. CAPACITY REPORTING

NRTC shall report the following network capacity information to Member on a weekly basis:

- a. Total number of subscribers in each operational beam; and,
- b. Current capacity, in units of subscriber count, per operational beam.

Any such report may be made by providing Member electronic access to a web site or portal containing such information.

EXHIBIT B

Rates

Subject to the provisions of Section 4.3, Member shall buy WB Service Packages at a fixed price per Customer. Member shall pay NRTC a monthly service price as calculated by the Service Package Pricing multiplied by the Average Monthly Member Subscriber Count by Service Package, where the Service Package Pricing is as indicated in the following tables for the periods specified:

For the period October 1, 2006 through March 31, 2007:

Value Pak	Select Pak	Pro Pak
\$25.77	\$35.47	\$40.37

For the period April 1, 2007 through the remainder of the Initial Term:

Value Pak	Select Pak	Pro Pak
\$25.07	\$33.87	\$38.37

For purposes hereof, the average of the Customer count by Service Package on the last day of a calendar month and the corresponding Customer count by Service Package on the last day of the immediately preceding calendar month is the Average Monthly Member Subscriber Count by Service Package.

Any change in the rates charged to Member by NRTC shall not be effective until the later of (i) the effective date of such change, or (ii) the first monthly billing cycle occurring at least 60 days after NRTC notifies Member of such change.

This Exhibit may be modified or amended by NRTC at any time upon reasonable prior notice if such modification or amendment is a result of material changes in the WB Service by WildBlue in accordance with the terms of the WildBlue Agreement.

EXHIBIT C

[INTENTIONALLY OMITTED]

EXHIBIT D

Business Support Fee

The Business Support Fee is \$6.65 per Average Monthly Member Customer per month, payable to NRTC pursuant to Section 4.5. For Members who enrolled in the WildBlue business after December 31, 2005, the Business Support Fee will be \$7.65 per Average Monthly Member Customer per month up to 200 Average Monthly Member Customers and \$6.65 per Average Monthly Member Customer per month for all Customers once the Average Monthly Member Customer count exceeds 200.

Business Support Fee is a comprehensive fee that includes a number of services provided by NRTC and third parties in support of the Member's WildBlue business. These services include, but are not limited to: ISP Services, Tier 1 & Tier 2 Customer and Member Support, training, marketing support, account management and system support, and communication support. The Business Support Fee is charged to all Members on the Average Monthly Member Customer basis regardless of whether the Member uses any or all of these services.

Notwithstanding anything in this Agreement to the contrary, this Exhibit and the Business Support Fee may be modified or amended by NRTC, in NRTC's Discretion, at any time or from time to time. Any change in the fees charged to Member by NRTC shall not be effective until the later of (i) the effective date of such change, or (ii) the first monthly billing cycle occurring at least 60 days after NRTC notifies Member of such change.

EXHIBIT E

The initial term of the WildBlue Agreement expires on August 1, 2011, and is subject to automatic renewal for successive one-year renewal terms unless NRTC or WildBlue gives the other party notice of intent not to renew at least 180 days before expiration of the then-current term.

EXHIBIT F

The CPE

The "CPE" consists of the hardware (one WildBlue modem and one Ka-Band outdoor unit (mount, dish, electronics)) and software provided by WildBlue (or its designated suppliers) or by an NRTC manufacturer approved by WildBlue sufficient to enable a Customer to access the WB Network from the Customer's computer and capable of receiving WB Service, but excluding wiring, Ethernet or USB network interface hardware in the Customer's personal computer and any non-standard packaging or labeling requested by NRTC, Member or Member's Authorized Agents. The current components of the CPE are listed below, and may be updated by NRTC in its sole discretion from time to time during the Term, as appropriate.

The CPE will consist of:

- ◆ 1 Satellite modem, including Ethernet cable
- ◆ 1 Power supply
- ◆ 1 Ka-band outdoor antenna assembly
- ◆ 1 Ka-band TRIA

EXHIBIT G

ISP Services

NRTC ISP Services are included at no additional cost to Member WB retail residential and small office/home office Subscribers, all as described in this Exhibit G. NRTC reserves the right to change or discontinue NRTC ISP Services at any time upon not less than thirty (30) days prior written notice to Member. In the event NRTC elects to provide WB ISP Services or any other third party ISP services, NRTC may charge Member such per Customer fees as may be imposed by WildBlue or such third party for such services.

Member may, upon notice to NRTC, substitute Member ISP Services for such ISP services as may be included in any WB Service Package, provided, however, the use of Member ISP Services shall not reduce applicable Business Support Fees.

Subject to the foregoing, NRTC ISP Services shall include:

For the Value and Select packages:

- ◆ 5 email addresses (5 MB available/address, unlimited aliases, pop and web-mail)

- ◆ 10 mb of webspace, web-authoring tools
- ◆ Usenet

For the Pro package:

- ◆ 10 email addresses (15 MB available/address, unlimited aliases, pop and web-mail)

- ◆ 20 mb of webspace, web-authoring tools
- ◆ Usenet
- ◆ dial up access available (features TBD)

EXHIBIT H

Nonconforming Installations

All installations shall conform to the most current guidelines, documentation and installation training provided by WildBlue to NRTC and, in turn, to Member. These are subject to change from time to time and Member shall, and shall cause its installers, to stay up-to-date regarding such information.

Member shall correct nonconforming installations within 90 days of written notice of nonconformance from WildBlue or, at WildBlue's direction, NRTC. If Member fails to timely correct such nonconformance, WildBlue shall have the right to correct such nonconformance and Member shall pay NRTC \$75.00 for each such correction in the event WildBlue charges NRTC for same under the WildBlue Agreement.

EXHIBIT I

WB Service Packages as of Effective Date

Value Pak	Select Pak	Pro Pak
512 kbps down/ 128kbps up	1 mbps down/ 200 kbps up	1.5 mbps down/ 256 kbps up

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Amended NRTC Member Agreement
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think such meetings are necessary. We will decide very quickly in September where and when to hold the meetings, if needed.

MOVING FORWARD WITH YOU

NRTC knows and understands that as an NRTC WildBlue member you have faced challenges with WildBlue's service levels and other issues during the past year. NRTC believes that WildBlue's service performance will improve and we continue to have confidence in the long-term viability of WildBlue. Bolstering that confidence is the fact that yesterday WildBlue announced that it had completed a \$350 million debt financing that provides capital to fund the growth of WildBlue's broadband business. That funding, combined with the scheduled launch of the WildBlue-1 satellite later this year, leads us to believe that NRTC and its members are about to see an exciting and rewarding new era with WildBlue.

With the new terms that are contained in the enclosed Amended Member Agreement, we feel certain that your company will enjoy improved economics and better terms under which you receive and offer the WildBlue Service. To support you, your NRTC team remains focused on working intensely with WildBlue to improve the service levels and committed to helping you bring this valuable and needed service to rural America. We thank you for all your hard work and support.

Best Regards,



Bob Phillips
President and CEO

The information in this communication is "confidential" as that term is defined in the NRTC/Member Agreement for Marketing and Distribution of WildBlue Services and is intended for the sole use of NRTC's members. Any unauthorized disclosure or distribution without the express written consent of NRTC is strictly prohibited.



**NRTC/MEMBER AGREEMENT
FOR MARKETING AND DISTRIBUTION
OF WILDBLUE SERVICES**

This Agreement ("Agreement") is made by and between the NATIONAL RURAL TELECOMMUNICATIONS COOPERATIVE, a District of Columbia cooperative ("NRTC"), and MEADE COUNTY R.E.C.C., a duly authorized Eligible Member of NRTC ("Member"), as of this 24 day of OCTOBER 2003 (the "Effective Date"). NRTC and Member may be referred to throughout this Agreement each individually as a "Party" and collectively as the "Parties."

WHEREAS NRTC has entered into a master distribution agreement dated as of July 30, 2003 (the "WildBlue Agreement") with WildBlue Communications, Inc., a Delaware corporation ("WildBlue"), through which NRTC has obtained rights to market, promote, sell and distribute satellite-based Internet access services and related products to end users in the continental United States, including through its Eligible Members (as defined in Exhibit A hereto);

WHEREAS NRTC wishes to provide Member with the nonexclusive right to market, promote, sell and distribute such services and products, and Member wishes to obtain the right to market, promote, sell and distribute such services and products to Customers pursuant to this Agreement;

NOW, THEREFORE, in consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, NRTC and Member hereby agree as follows:

1. **Definitions.** Certain capitalized terms not otherwise defined in this Agreement shall have the meanings set forth in Exhibit A attached hereto.

2. **Distribution of WB Service.**

2.1 **Distribution Rights.**

(a) **Authorization.** Member shall have the non-exclusive right to market, promote, sell and distribute to Customers, directly and through Authorized Agents, the CPE and WB Service ("Distribution Rights"). Without NRTC's prior written consent (which may be withheld in NRTC's Discretion and is also subject to WildBlue's approval), Member and its Authorized Agents shall not distribute, sell, offer for sale or otherwise use the CPE for any purpose other than for providing WB Service. In the event NRTC obtains the right to distribute Additional WB Services, which are not bundled in any WB Service Package, which NRTC may authorize Members to distribute, NRTC will offer Member the right to distribute such Additional WB Services on terms and conditions specified by NRTC in NRTC's Discretion, pursuant to the terms of an Addendum to this Agreement.

(b) **WildBlue Services Offered.** During the Term, Member may market, promote, sell and distribute WB Service to Customers. During the Continuity Period, Member may only market, promote, sell and distribute WB Service to then existing Customers. Member has the right to determine the terms on which it may offer the WB Service, except for such terms (other than retail price) as NRTC may from time to time specify. The retail price offered by Member for any WB Service Package shall not exceed the applicable Retail Rate. Neither Member nor any Authorized Agent shall sell WB Service, without NRTC's prior written consent, to any individual or entity known to Member (after reasonable inquiry) to have purchased more than ten CPEs within any two year period during the Term or to have had access to

more than ten WB Service accounts at any one time during the Term, other than (i) Member's utility applications (e.g., automated meter reading, supervisory control & data acquisition, security, network, etc.), and (ii) multi-family dwelling units whereby each individual dwelling unit will be charged a single fee in the same manner as single family dwellings are charged, as approved by NRTC.

(c) **Sales Channels.** Member may market, promote, sell and distribute WB Service and the CPE to Customers through internal sales channels, its Affiliates and Authorized Agents. Neither Member nor any Authorized Agent shall use or contract with any Master Agent to market, promote, sell, distribute or install WB Service or the CPE to Customers, or to identify, solicit, manage or compensate Authorized Agents, except as authorized by NRTC and WildBlue. Neither Member nor any Authorized Agent may sell the CPE or WB Service to third-party providers for further resale or distribution. Member may offer WB Service through its own multiple physical sales locations having Member's primary brand or name as the primary name on the retail storefront, and may advertise and offer WB Service through its own online e-commerce sites, but not through any third party site, either directly or indirectly.

Upon notice from NRTC, Member shall stop selling or installing WB Service through any third party entity or person that NRTC or WildBlue identifies as having committed any acts of dishonesty or fraud in its or his dealings with WildBlue.

NRTC shall have the right to review and approve the form of each contract between Member and an Authorized Agent relating to WB Service or the CPE (an "Authorized Agent Agreement"), and shall be designated as an express third party beneficiary under any Authorized Agent Agreement.

(d) **Customer Agreements.** Prior to receiving WB Service, each Customer shall agree to be bound by and subject to the terms of the standard agreement that WildBlue uses for Subscribers of the WB Service Package for which such Customer subscribes (the "Customer Agreement"). NRTC shall provide the form of WildBlue's Customer Agreement to Member as soon as reasonably practicable, which NRTC anticipates to be not less than 60 days prior to Beta Launch. Member may propose to NRTC changes or modifications to the Customer Agreement for use by Member, subject to WildBlue's prior written approval, which may be withheld in its sole and absolute discretion. WildBlue has agreed to approve any such changes or modifications that are reasonably necessary to comply with any applicable state and local laws. NRTC shall forward to Member any notice NRTC receives from WildBlue of WildBlue's enforcement actions against a Customer.

2.2 WB Service and Technical Requirements.

(a) **Beta Launch and Commercial Launch.** NRTC will give Member timely notice of the scheduled date of Beta Launch or delays thereto, and of the scheduled date and any subsequent delays in the scheduled date of Commercial Launch.

(b) **Satellite Determination.** WildBlue shall determine, in its sole and absolute discretion, which satellite shall serve each Customer, and may from time to time change such satellite; provided, that WildBlue shall pay any and all costs related to repositioning the CPE or other WildBlue-provided equipment in the event of any such satellite change. In the event of such satellite change and/or repositioning, Member agrees to work in good faith with NRTC and WildBlue to effect an orderly satellite change and/or repositioning, and shall be entitled to be reimbursed by WildBlue for its reasonable direct costs for performing services related to any such repositioning.

(c) **Bandwidth Management.** Member acknowledges that WildBlue may from time to time, without prior notice to Member, restrict the bandwidth and other system resources consumed by Customers and other Subscribers of similar WB Service Packages, according to any Fair Access Policy as then in effect. WildBlue and/or NRTC may take other reasonable actions to enforce the terms of a Customer's Customer Agreement directly against a Customer, including immediately terminating such Customer's access privileges.

2.3 Training. NRTC shall provide training to Member (and, as Member may reasonably request, Member's Authorized Agents) in the installation, use, operation and support of WB Service from time to time during the Term at such time and location and for such fees as NRTC may designate. Member (and, as the case may be, its Authorized Agents) shall attend such training at its own expense.

2.4 ISP Services

(a) **ISP Services.** WB Service shall include portal access and all ISP Services and any other ISP services offered or provided from time to time by WildBlue to any Subscriber of a WB Service Package similar to that for which the Customer receiving such WB Service subscribes (other than services available only on a temporary or trial basis). In the event Member elects to provide Member ISP Services or NRTC ISP Services, in lieu of WB ISP Services, as provided in Section 3.13, Member and its Authorized Agents shall nonetheless make each Customer aware of the availability of the WB ISP Services as an alternative to Member ISP Services or NRTC ISP Services at the time of installation, and will make WB ISP Services available to all Customers that request such services as an alternative service at any time.

(b) **Hyperlink.** WildBlue may include a single hyperlink from the WildBlue portal enabling a Customer to directly hyperlink to and access the Member's portal. The costs to design, implement and maintain such hyperlink shall be paid for by Member.

2.5 Customer Support. NRTC shall provide NRTC Tier 1 Customer Support to Customers for and on behalf of Member, and NRTC Tier 2 Customer Support to Member. Member shall provide Customers with accurate contact information for their respective NRTC Tier 1 Customer Support or Member Tier 1 Customer Support customer care representatives, and direct Customers to exclusively utilize NRTC Tier 1 Customer Support or Member Tier 1 Customer Support. Member shall not contact WildBlue's customer support directly, and shall use commercially reasonable efforts to prevent Customers from attempting to do so.

2.6 Service Availability.

(a) **Service Interruption.** In the event of a Service Interruption, if and to the extent NRTC receives a corresponding credit from WildBlue pursuant to the provisions of the WildBlue Agreement respecting service interruption, NRTC will provide a credit ("Service Interruption Credit") against the next payment due from Member to NRTC pursuant to Section 4.3 of this Agreement, calculated and credited in 5-minute increments. The Service Interruption Credit shall equal the Service Interruption Rate for each affected Customer for each 5-minute increment above any period of 20 or more consecutive minutes that a Service Interruption continues for such affected Customer. Notwithstanding anything herein to the contrary, and subject to the provisions of Section 11.3, such Service Interruption Credit shall be Member's sole remedy for such Service Interruption (other than a Service Failure).

(b) **Service Failure.** "Service Failure" means a Service Interruption that lasts (or that NRTC expects to last) more than 30 days, or a failure of any WildBlue satellite or spot beam(s) such that WildBlue refunds or is required to refund to any affected Subscribers any prepaid monthly service fees and discontinues (either permanently or for a specified period of time) billing such affected Subscribers for WB Service. In the event of a Service Failure, if Member receives from NRTC any refunds, billing adjustments and cessations of billing, Member shall provide its affected Customers the full benefit of same.

3. **Member's Obligations.**

3.1 **Member Functions.** Member shall be responsible for and shall perform all sales, installation, account management and billing and collections services in connection with the provision of WB Service and the CPE to Customers.

3.2 **Installation.** Member agrees that no technician shall install WB Service or the CPE for Customers or provide other related services to Customers on behalf of Member until such technician has passed standard WildBlue certification testing, or equivalent certification testing provided by NRTC at Member's (or, as applicable, the Authorized Agent's) expense. Member and its Authorized Agents shall allow only WildBlue- or NRTC-certified technicians in good standing (as determined by reference to WildBlue policies) to perform installations and service.

Member and its Authorized Agents shall perform all installations of the CPE according to installation procedures and standards determined by WildBlue or NRTC, which procedures and standards may be updated or modified from time to time. Either WildBlue or NRTC may disqualify any specific technician or installation entity for failure to meet installation and service standards.

3.3 **Customer Support; Customer Restrictions.** Member shall provide usual and customary customer care to Customers, including: (i) availability 24 hours per day, 365 days per year (directly as to billing questions and other support (without deductions for the Business Support Fees as set forth in Section 4.5) and/or through NRTC via NRTC Tier 1 Customer Support); and (ii) assisting Customers with processing CPE warranty claims. Member may offer service warranties to Customers at its discretion in addition to any applicable warranties provided by CPE manufacturers. Member shall submit all warranty claims through NRTC to the applicable CPE manufacturer (to the extent provided in the underlying CPE manufacturing agreement). Member and its Authorized Agents, as the case may be, shall be solely liable for any warranty claims relating to any additional warranties they may provide. NRTC shall have no liability to Member, Authorized Agents, Customers or any other person for warranty claims on the CPE. Member shall use commercially reasonable efforts to cause each Customer to comply with its obligations under its Customer Agreement.

3.4 **Sales and Promotional Activities.** Member and Authorized Agents shall use commercially reasonable best efforts to promote the sale and installation of the CPE and WB Service. Member shall honor any promotions offered and paid for by WildBlue and/or NRTC, as NRTC may from time to time require.

3.5 **Billing and Collection.**

(a) **General.** Member shall perform all Customer billing and collection functions. Member may bill its Customers for WB Service and/or the CPE together with bills for other services, provided that

each of WB Service and the CPE is clearly and separately identified as a line item or separate item by name. If a Customer's monthly price for WB Service is less than the Retail Rate for a similar WB Service Package, Member shall, if it can do so without material out-of-pocket costs or the expenditure of unreasonable time or effort, list the WildBlue price on the bill and indicate that Member has provided a discount, yielding the lower price. Failure to bill Customers or a Customer's failure to pay shall not reduce or relieve Member's payment obligations to NRTC.

(b) **Billstuffers.** If Member has the reasonable capability, WildBlue shall have the right to insert one billstuffer (or e-message in the case of e-billing) two times per year in all bills for WB Service sent by Member to Customer. Such billstuffers (or e-messages) shall be approved in advance by NRTC. WildBlue shall pay for the full out-of-pocket cost of producing, inserting and delivering (including any incremental costs of postage) such billstuffers (or e-messages) to Customers. Upon request Member will timely provide NRTC with the costs to perform such activities.

3.6 Account Management System/Provisioning Interface. Member and its Authorized Agents shall access and interconnect with WildBlue's Subscriber account management systems through NRTC, via a provisioning interface to be developed by WildBlue (the "Provisioning Interface") to order, set up, and manage the WB Service and other Customer-related activities and to provide information reasonably necessary to enable Member to bill Customers.

3.7 Customer Data.

(a) **Required Data.** At the time of installation, Member shall provide NRTC and WildBlue with the following "Customer Data" for each active Customer account: name, address, zip code, telephone number, email address, WB Service Package purchased, length of contract, amounts paid for the CPE and installation, the name of the installer and a unique identifying number (of a type determined by NRTC) for each of the Member and the installer.

(b) **Ownership Rights; Use by NRTC.** Member shall have ownership rights in the Customer Data; provided, however, that Member shall permit NRTC and WildBlue to use and access Customer Data to perform their respective obligations under this Agreement and any related agreements, including without limitation for the provision of WB Service to Customers, and for WildBlue's analysis and improvement of WB Service (e.g., quality control measures and customer satisfaction surveys). For this latter purpose only, Member agrees to cooperate reasonably with NRTC and WildBlue to facilitate general communications between WildBlue and Customers (by email or other means).

(c) **No Sales by Member.** Member shall not sell any Customer Data to any third party without NRTC's prior consent. In all events no Customer Data shall be sold to a third party unless such third party agrees in writing with Member and NRTC not to use such Customer Data to offer, market, promote, sell or distribute any non-WildBlue Internet access service to any Customers. The Authorized Agent Agreement shall provide that the Authorized Agent shall not have any right to sell Customer Data to third parties.

(d) **Reporting.** Member shall furnish to NRTC within 10 days after the end of each calendar quarter, beginning with the quarter ending three months or less before the scheduled date of Commercial Launch, and thereafter during the balance of the Term, a list identifying (i) each of Member's Authorized Agents and their respective current total number of Customers as of the date of issuance of the list, (ii) the approximate number of customers Member (or its successor) has in the Service Category in which

Member (or successor) has the largest number of customers at such time, and (iii) confirmation that Member has not become an Affiliate of a Specified Person.

3.8 Poor Performer Recourse. The WildBlue Agreement requires that during the Term, NRTC shall notify WildBlue of any determination NRTC makes, in NRTC's Discretion, that Member does not comply with the terms of this Agreement and/or is otherwise deemed a "Poor Performer." Member shall be deemed a "Poor Performer" if it scores in the bottom 10% of all WildBlue retailers on WildBlue's national customer satisfaction surveys for two consecutive six-month periods during the Term, unless such performance is due to: (i) a failure of the CPE (or other equipment provided by or through WildBlue and required to use or access WB Service) to perform in accordance with its specifications within standard tolerances, for any reason other than improper installation of the CPE ("Equipment Problems"), (ii) a Force Majeure Event that prevents Member from performing its obligations under this Agreement or a Customer Agreement, or (iii) events that are within the responsibility of WildBlue under the WildBlue Agreement. Member agrees to work with NRTC to improve Member's performance should NRTC deem Member a Poor Performer. If Member is deemed a Poor Performer and thereafter fails to improve in subsequent customer satisfaction surveys (i.e., it scores in the bottom 10% in any two of the three subsequent six-month periods occurring within 18 months after the second consecutive survey referred to above), NRTC may (and shall, if so directed by WildBlue) terminate Member's Distribution Rights under this Agreement. In such event, all Customers serviced by Member and all rights under their Customer Agreements and any related agreements, shall be assigned to NRTC, and such Customers shall become direct Customers of NRTC, or at NRTC's election, shall be further assigned in whole or in part by NRTC (collectively, a "Termination Result").

3.9 Churn Rate Recourse. NRTC may, and at the written request of WildBlue shall, terminate this Agreement if Member's monthly Churn Rate during the Term averages 35% or more higher than the national average for all Subscribers for any two consecutive six-month periods, and Member's Churn Rate due to "dissatisfaction" with installation or customer care services is 35% or more higher than the national average for all Subscribers in a churn assessment survey conducted within three months thereafter, resulting in such event in a Termination Result (unless such dissatisfaction is due to Equipment Problems, a Force Majeure Event that prevents either Member from performing its obligations under this Agreement or a Customer Agreement or WildBlue from performing its obligations with respect to the WB Service, or events that are within the responsibility of WildBlue under the WildBlue Agreement).

3.10 Branding/Consumer Advertising. Member shall offer WB Service under the brand name designated by WildBlue in WildBlue's sole and absolute discretion and provided to Member in writing by NRTC, which brand name WildBlue may change from time to time. Member shall represent WB Service and the WB Network solely under the brand designated by WildBlue, unless otherwise authorized by WildBlue in its sole and absolute discretion. Member may indicate its involvement in WB Service, including the CPE, in a non-primary role (i.e., 50% or less in terms of font size when compared to the WildBlue-defined brand) as being "brought to you by {Participating Member name}." Member may answer customer service lines as "WildBlue, brought to you by {Participating Member name};" "{Participating Members name}, a WildBlue authorized service provider" or words to similar effect approved by WildBlue. Member and its Authorized Agents shall comply with WildBlue's "style guide" for all use of the WildBlue logo and name, to be provided to Member by NRTC not less than 60 days prior to Beta Launch. Specifically, Member will provide all advertisements to NRTC for approval by WildBlue. All subsequent advertisements that are the same or substantively the same as previously approved advertisements will not require such approval by WildBlue. If WildBlue changes its brand name, Member shall offer WB Service under such new brand name.

Member shall include in or on any and all written advertising or marketing materials that specify prices for the CPE and/or installation that are lower than WildBlue's then nationally-advertised manufacturer's suggested retail prices therefor, a statement that Member is offering such goods and/or services at a discount to such manufacturer's suggested retail prices. Such statement shall be made no less than once in each such advertising or marketing material, shall appear in reasonable proximity to the largest (in terms of font size) reference to Member's prices in a font size not less than 10% thereof, and shall otherwise be subject to the terms of this Section 3.10.

3.11 License. NRTC hereby grants to Member a non-exclusive, royalty-free, limited sub-license to use WildBlue trademarks, service marks and trade names to the extent licensed to NRTC under the WildBlue Agreement, solely in connection with marketing, promoting, distributing, and selling WB Service and the CPE pursuant to and in accordance with this Agreement. Such sub-license is not transferable, except that Member may grant sub-licenses under such sub-license to its Authorized Agents. All such uses shall be in accordance with WildBlue's policies as modified from time to time in its sole and absolute discretion. WildBlue shall retain all right, title and interest in and to its trademarks, service marks and trade names worldwide, including any goodwill associated therewith. Any use of any such trademarks by Member and its Authorized Agents shall inure to the benefit of WildBlue, and Member and its Authorized Agents shall take no action that is inconsistent with WildBlue's ownership thereof. Upon the expiration or termination of this Agreement, including the expiration or termination of the Continuity Period, Member and its Authorized Agents shall cease using the trademarks, service marks and/or trade names of WildBlue, except: (i) to the extent required to honor and carry out the provisions of this Agreement or the related Authorized Agent Agreements and any Customer Agreements then in effect and which are consistent with the terms of this Agreement; or (ii) to the extent required by applicable law.

3.12 Taxes. Member shall collect and remit to the relevant taxing authority all applicable taxes imposed by any local, state, national or international, public or quasi-public governmental entity payable by Customers which arise from the sale and installation of the CPE and/or the provision of WB Service to Customers. Any other taxes, fees, etc. arising out of this Agreement shall be paid by the Party, if any, responsible for paying such taxes under applicable law.

3.13 Member ISP Services; NRTC ISP Services. Member may without additional charge substitute Member ISP Services or NRTC ISP Services for WB ISP Services in any WB Service Package, if such Member ISP Services or NRTC ISP Services are determined by NRTC in NRTC's Discretion to be equivalent or superior to such WB ISP Services as are included by WildBlue in such WB Service Package.

3.14 Sale, Assignment, Delegation or Transfer of Rights and Obligations by Member.

(a) **General.** Member may not sell, assign, delegate or transfer ("Transfer") any rights or obligations under this Agreement, and/or any of its rights or obligations under any of its agreements with its Customers (collectively, "Member Rights and Obligations"), whether by sale of assets or stock, merger, consolidation or other reorganization, including by operation of law or order of court or other governmental authority (each a "Transfer Event"), except as expressly permitted in Section 3.11 and this Section 3.14.

(b) **Certain Restrictive Provisions.** In no event may Member Transfer its Member Rights and Obligations to any entity doing business as, or succeeding to the business of, any Specified Person.

without the prior written consent of each of NRTC and WildBlue, which consent may be withheld by either NRTC or WildBlue in its sole and absolute discretion.

(c) **Certain Permitted Transfers.** Subject to Section 2.1(b), Member may Transfer all, but not less than all of its Member Rights and Obligations to a wholly-owned subsidiary (provided that any subsequent Transfer of such wholly-owned subsidiary, or of a controlling interest therein, shall constitute a Transfer Event subject to the restrictions set forth in this Section 3.14) or to a Successor without complying with the provisions of Section 3.14(d), if all other requirements of this Agreement are satisfied.

(d) **Right of First Refusal Provisions.** Subject to the provisions of Section 3.14(b), not earlier than 30 months after the date of Commercial Launch, Member may Transfer all, but not less than all, of its Member Rights and Obligations, provided that (i) the transferee is an Eligible Member at the time of Transfer (and the time of Transfer notice); (ii) the Transfer Event is approved by NRTC and (iii) Member complies with any applicable Transfer or right of first refusal policies of NRTC, as may then be in effect, and the applicable terms of WildBlue's right of first refusal, as provided in the WildBlue Agreement (which terms NRTC will provide to Member upon request).

3.15 Non-Solicitation by Member. During the Term and for a 12-month period thereafter, Member (or any other entity or person subject to this Agreement) shall not directly or indirectly solicit, induce or attempt to induce any active Subscriber to "switchout" or convert such Subscriber to an Internet access service other than WB Service. With respect to each Customer, so long as such person or entity is a Customer of Member and for one year thereafter (including for the twelve-month period at the end of any Continuity Period), Member shall not directly or indirectly solicit, induce or attempt to induce such Customer to "switchout" or convert such Customer to any Internet access service other than WB Service. This restriction shall not prohibit Member from providing to Customer any non-WildBlue "high speed" or "broadband" service (including DSL); if (i) the Customer responds to broad-based marketing or promotional activities or solicitations for alternative broadband offerings or (ii) such Customer seeks to disconnect or terminate its WB Service.

3.16 Policies and Procedures.

(a) **Fair Access Policy.** Member and its Authorized Agents shall support any fair access policy and/or an acceptable use policy (collectively, "Fair Access Policy") established or modified from time to time by WildBlue to address Subscriber utilization of bandwidth.

(b) **Privacy and Other Policies.** NRTC shall provide Member notices and copies of WildBlue policies and procedures, or any changes or modifications to existing policies and procedures, upon NRTC's receipt of same from WildBlue. Subject to the requirements of applicable law, Member shall use commercially reasonable efforts to cause Customers to comply with such policies and procedures.

(c) **Member in Good Standing.** Member shall at all times use its best efforts to comply with any and all policies and procedures of NRTC, including policies and bylaws promulgated by NRTC's Board of Directors, as in effect from time to time ("Good Standing").

(d) **Communications with WildBlue.** Member agrees that any communication by or between it and WildBlue respecting WB Service, the CPE or any matter that is the subject of this

Agreement, including in connection with installation through use of the Provisioning Interface, shall be made exclusively through NRTC, unless otherwise authorized in writing by NRTC.

(e) **Action by Member Against WildBlue.** Neither Member nor any of its Authorized Agents shall bring or participate in any action against WildBlue without NRTC's prior written consent, which consent may be withheld or conditioned by NRTC in NRTC's Discretion.

4. **Retail Rates, Pricing, Payments**

4.1 **Retail Rates.** WildBlue shall set the Retail Rates for WB Service, subject to change from time to time. NRTC shall notify Member of Retail Rates and any changes in Retail Rates, as NRTC deems necessary or appropriate.

4.2 **Pricing.** Member shall determine the amounts charged to Customers for the CPE, installation, each WB Service Package (not to exceed the applicable Retail Rate), warranty service, support and any other related products or services. If Member charges a Customer more than \$299 (exclusive of any relevant taxes, interest charges and fees) for the CPE and Standard Installation Package, regardless of any payment plan or financing arrangement, Member shall pay to WildBlue (directly or through NRTC, as NRTC requires) 50% of the excess over \$299; provided, however, that if the cost to NRTC for the CPE, FOB manufacturer, is more than \$500 (exclusive of applicable taxes and fees), such \$299 threshold shall be increased by an amount equal to such excess (for example, if the cost of the CPE to NRTC is \$530, Member would pay WildBlue 50% of the CPE and installation cost above \$329). Notwithstanding anything in this Agreement to the contrary, NRTC, if directed by WildBlue, shall require Member to sell, and Member shall sell, the CPE and Standard Installation Package for a price not to exceed \$299 (exclusive of any relevant taxes, interest charges and fees) if the cost to NRTC for the CPE, FOB manufacturer, is not more than \$500, or, if such cost is more than \$500, for a price not to exceed the sum of \$299 plus the amount by which such cost exceeds \$500.

Notwithstanding the foregoing, if any support or services are provided by WildBlue to Subscribers without separate charge, Member shall also provide any and all such included services, at the same level and without separate charge, when providing a similar WB Service Package to its Customers; provided WildBlue makes such services available to NRTC and Member without separate charge.

Member may charge additional fees for any enhancements it makes to service provided by WildBlue to the extent made available to its Customers.

4.3 **Payments.** For each Customer, Member shall pay NRTC the amounts specified in Exhibit B as in effect from time to time, regardless of the amounts charged to or collected from Customers. Such payments shall be due within 15 days after Member's receipt of NRTC's written monthly invoice(s) (or in a mutually agreed upon electronic format sufficient to enable Member to bill its Customers) at the beginning of each monthly billing period for such WB Service. All other payments for other charges or amounts due NRTC under this Agreement shall be due 15 days after Member's receipt of an invoice. Payments made more than 15 days after receipt of an invoice (other than amounts disputed in good faith in writing by Member) shall bear interest at the rate of 1.5% percent per month from the due date to date of actual receipt by NRTC.

4.4 **Participation Fee and NRTC's Use of Fees.** Simultaneous with the execution and delivery of this Agreement, Member shall pay to NRTC in cash a "Participation Fee" as payment for the grant of Distribution Rights as specified in Exhibit C.

4.5 Business Support Fees. For each Customer, Member shall pay to NRTC, regardless of the amounts charged to or collected from Customers, a business support fee in consideration for NRTC's provision to Member and its Authorized Agents (if any) of access to training, access to marketing support, Web-based account management tools, NRTC Customer Service, ISP Services and management of the Parties' relationship with WildBlue ("Business Support Fee"). The Business Support Fee is specified in Exhibit D and may be adjusted by NRTC from time to time in NRTC's Discretion and set forth in an amended Exhibit D provided by NRTC. Member agrees to pay the full amount of such business support fee on a timely basis consistent with policies and procedures established by NRTC from time to time in NRTC's Discretion, regardless of whether Member avails itself of any such services NRTC provides.

5. The CPE

(a) **Purchase, Sale & Forecasting of the CPE.** Member shall purchase from or through NRTC or, at NRTC's option, from WildBlue or directly from WildBlue's designated manufacturer(s), the CPE at prices and on such terms as NRTC shall specify. In no event will NRTC's CPE sales price charged to Member be more than NRTC's CPE and related costs, including shipping, processing and handling. Member further agrees that if the CPE manufacturers are unable to fill CPE orders, NRTC shall, in NRTC's Discretion, determine the manner of allocation and distribution of any CPE made available to it for distribution. Member shall comply with all CPE forecasting and ordering requirements specified by NRTC.

(b) **Notice of Upgrades.** NRTC shall provide notice to Member of all material upgrades and changes related to the CPE or any components thereof when NRTC receives such information from WildBlue.

6. Term/Termination.

6.1 Term. The initial term of this Agreement (the "Initial Term") shall commence upon the Effective Date and end on the tenth anniversary of Commercial Launch unless terminated earlier in accordance with this Agreement. The Initial Term may be extended (any such extension, the "Renewal Term") or reduced by NRTC, and any Renewal Term may be extended or reduced by NRTC, in each case in NRTC's Discretion, in accordance with any modification of the term of the WildBlue Agreement by WildBlue and NRTC pursuant to the terms of the WildBlue Agreement (including Triggering Events), as set forth in Exhibit E.

6.2 Continuity Period. Subject to Exhibit E, during the three-year period following the end of the Initial Term or any Renewal Term (the "Continuity Period"), Member shall continue to service and support all its Customers existing on the first day of the Continuity Period, and all such existing Customers will remain covered on and under the financial and other terms of this Agreement as in effect at the end of the then current Term. Member and its Authorized Agents shall not offer, sell or distribute WB Service or the CPE to any new Customers during the Continuity Period. After the expiration of the Continuity Period, or earlier upon at least 120 days notice from NRTC, all remaining Customers of Member shall become customers of WildBlue, and Member will assign to WildBlue all rights to future payments from such remaining Customers for use and access to WB Service, upon Member's receipt from NRTC or WildBlue of an amount equal to \$100 per Customer at the end of the Continuity Period. Such amount shall be payable to Member in cash, securities, promissory notes, or in such combination or other manner as NRTC determines in NRTC's Discretion.

6.3 Termination

(a) **Failure to Make Payment**. If Member fails to make any payment when due under this Agreement (other than amounts disputed in good faith by Member, with any undisputed portion of such amount being paid), then NRTC may terminate this Agreement at any time thereafter upon 10 days' notice of termination to Member.

(b) **Breach**. If either Party breaches any obligation hereunder (other than Member's breach for failure to make a payment when due, which is subject to Section 6.3(a) above, Member's breach for failure to maintain its Good Standing, which is subject to Section 6.3(f) below, and Member's breach for failure to comply with the provisions Sections 2.2(c), 3.8, 3.9, 9(b), 9(c), 13.4 and 13.8 hereof, which is subject to Section 6.3(g) below), and such breach remains uncured for 15 days following receipt of notice of such breach from the non-breaching Party (or such longer period reasonably required to cure such breach if the breaching Party diligently pursues cure within 15 days of receipt of such notice), then the non-breaching Party may terminate this Agreement effective immediately upon the provision of notice of termination to the breaching Party.

(c) **Bankruptcy**. Either Party may terminate this Agreement upon notice if: (i) the other Party ceases to carry on its business as a going concern; (ii) a receiver or similar officer is appointed for the other Party and is not discharged within 60 days after appointment; (iii) the other Party admits in writing its inability to pay debts as they mature, is adjudicated bankrupt, or makes an assignment for the benefit of its creditors or another arrangement of similar import; or (iv) any proceeding under any federal or state bankruptcy or insolvency law is commenced by the other Party, or is commenced against the other Party and is not converted, consented to or dismissed within 90 days.

(d) **No Commercial Launch**. If Commercial Launch has not occurred by December 31, 2005, either Party may terminate this Agreement effective on the date notice thereof is given to Member by NRTC.

(e) **Termination of WildBlue Agreement**. This Agreement shall automatically terminate on the date specified in NRTC's notice to Member (without further action by either Party) if the WildBlue Agreement is terminated for any reason whatsoever, subject, however, to the Continuity Period.

(f) **Good Standing**. If at any time Member is not in Good Standing, NRTC may terminate this Agreement immediately upon giving notice of termination to Member.

(g) **Other Provisions**. This Agreement may be terminated in accordance with the provisions of Sections 2.2(c), 3.8, 3.9, 9(b), 9(c), 13.4 and 13.8 hereof, without regard to the notice and cure provisions of Section 6.3(b).

(h) **300,000 Customer Limit**. Notwithstanding any provision to the contrary, if at any time during the Term (i) as a result of a Transfer Event or a change of control affecting Member, Member or its Successor and its or such Successor's Affiliates are then servicing in the aggregate 300,000 or more customers in any single Service Category or (ii) Member shall become an Affiliate of a Specified Person, then NRTC may, at its option, either (A) effect a Termination Result, or (B) terminate the remaining term of this Agreement, and thereafter Member and its Authorized Agents may only service and support their then existing Customers during a Continuity Period and shall have no further rights to market, promote, sell or distribute the CPE and WB Service to any new Customers.

6.4. Specific Performance. Member agrees that as a result of the nature and extent of the obligations of Member under this Agreement, neither termination nor money damages may be an appropriate and effective remedy for any breach by Member, and accordingly Member agrees that in the event of any breach or failure to perform any of the provisions of this Agreement by Member, NRTC may, in addition to any other rights, seek and obtain temporary restraining orders, injunctions and other appropriate equitable relief to restrain Member from breaching or failing to perform its obligations under this Agreement and/or to compel Member to specifically perform such obligations in accordance with the terms and provisions of this Agreement.

6.5. Effect of Termination. Except as provided herein, termination shall be without prejudice to any other right or remedy to which either Party may be entitled under this Agreement or applicable law. No termination of this Agreement shall in itself excuse either Party from its obligations (including payment obligations) hereunder arising prior to the effectiveness of such termination, or after such termination pursuant to any provision of this Agreement that by its terms continues to apply after termination.

6.6. Survivability. The provisions of Sections 6.2, 6.4, 6.5, 10, 12 and 13 shall survive termination of this Agreement for any reason.

7. Capacity. Immediately upon notice from NRTC that a WildBlue satellite spot beam reaches 80% or more of maximum capacity, Member and its Authorized Agents shall stop all marketing and promotional activities to prospective Customers in the geographic area served by that spot beam. Immediately upon notice from NRTC that a spot beam reaches 99% of maximum capacity, Member and its Authorized Agents, as appropriate, shall stop marketing, selling and installing the WB Service in the geographic area served by such spot beam (the "Capacity-Constrained Area") until such time as notified otherwise by NRTC. For all purposes of this Section 7 and Section 9, if the WB Service is at any time available under more than one satellite, all references in this Section 7 to the satellite spot beam that serves a given geographic area shall mean, collectively, all satellite spot beams that serve such geographic area for the WB Service.

8. Ninety Day Reconnect Elimination. Without the prior written consent of NRTC, neither Member nor any of its Authorized Agents shall install the CPE or provide WB Service to any Customer known by the installing entity (after reasonable inquiry) to have received WB Service from WildBlue or any of WildBlue's other retail or wholesale distributors (excluding any Excluded Distributor) within the 90 day period immediately preceding such installation. "Excluded Distributor" means any distributor or sales agent of the WB Service that is not bound by a restriction substantially the same as the restriction set forth in this Section 8.

9. Limitation on Certain Member Offerings.

(a) **No Competitive Offerings.** During the Term, Member may not offer, market, promote, sell or distribute, directly or indirectly, any Internet access services of which any part is conducted over a satellite link (any such service, other than a telephone dial-up service or a microwave service, a "Satellite Internet Access Service"), other than Core WB Services and except as otherwise required under existing agreements for Ku-Band based services provided by Hughes Electronics Corporation and its subsidiaries and divisions and/or StarBand Communications Inc. to which Member is a party.

(b) **Exceptions.** The restrictions set forth in Section 9(a) are subject to the following limitations:

- (i) **Minimum Acceptance Standard.** If WB Service fails to achieve the Minimum Acceptance Standard during any applicable period, Member may terminate this Agreement.
- (ii) **Non-Competitive Offerings.** Member may offer other Internet access services that are not Satellite Internet Access Services; and
- (iii) **Capacity.** If NRTC notifies Member that WildBlue has reached the 99% full capacity level in a Capacity Constrained Area, Member will be allowed to offer a Satellite Internet Access Service other than WB Service in such Capacity Constrained Area, subject to Section 9(c).

(c) **New Capacity.** If Member is offering Satellite Internet Access Services other than WB Service pursuant to Section 9(b)(iii), NRTC shall notify Member promptly when additional capacity is available to serve a Capacity Constrained Area, such that the WildBlue satellite spot beams serving such area are at no more than 66.7% of their aggregate capacity (a "New Capacity Notice"). In such event, Member shall have six months to stop offering any other Satellite Internet Access Service other than WB Service in such area (except that Member shall be entitled to continue to provide such other Satellite Internet Access Service to any existing customers of such Satellite Internet Access Service then served by Member). Notwithstanding the foregoing, Member may elect to terminate this Agreement by written notice given to WildBlue and NRTC within 30 days after receiving the New Capacity Notice from NRTC.

(d) **Termination Results.** In the event that Member terminates this Agreement pursuant to Section 9(b)(i) or 9(c), then NRTC may, at its option, effect a Termination Result.

10. Confidentiality. The Parties shall hold in confidence all provisions of this Agreement and all information provided by either Party to the other in connection with this Agreement. The Parties agree that all information related to this Agreement, not otherwise known to the public, is confidential and proprietary and is not to be disclosed to third persons (other than to Affiliates, officers, directors, employees and agents of the Parties, each of whom is bound by this provision) without the prior written consent of both Member and NRTC, except: (i) at the written direction of the other party; (ii) to the extent necessary to comply with law or valid order of a court of competent jurisdiction, in which event the party shall notify the other party as promptly as practicable (and, if possible, prior to making any disclosure) and shall seek confidential treatment of the information; (iii) as part of its normal reporting or review procedures to its parent company, its auditors and its attorneys who agree to be bound by this Section; (iv) in order to enforce any rights pursuant to this Agreement; (v) in order to comply with the provisions of any programming agreements or copyright licensing requirements; (vi) to obtain appropriate insurance, provided the insurance company agrees in writing to be bound by this Section; (vii) to obtain financing, provided that any person or entity providing financing agrees in writing to be bound by this Section; (viii) to obtain programming or content-based services; and (ix) to the extent NRTC may be permitted or required to disclose information or provide this Agreement to WildBlue under the WildBlue Agreement.

11. Representations and Warranties.

11.1 Authority, Etc. NRTC and Member each represents and warrants to the other that it has all requisite power and authority (i) to execute, deliver and perform this Agreement and all agreements;

documents and instruments executed and delivered by each in connection with this Agreement; (ii) to own, lease or operate its property and assets; and (iii) to carry on its business as presently conducted and as to be conducted.

11.2 Additional Representations and Warranties of Member.

(a) **No Affiliation With Specified Persons.** Member hereby represents and warrants that it is not an Affiliate of any entity currently doing business as Astrolink, DIRECTV, DIRECWAY, EchoStar, Gilat, Golden Sky, Hughes, Intelsat, Loral, News Corp., PanAmSat, Pegasus Satellite Television, PGTV, SES Americom, SES Global, SpaceWay, StarBand, Teledesic, Telesat, or Viasat, or any Affiliate, successor or assign of any such entity (each, a "Specified Person" and, collectively, the "Specified Persons").

(b) **300,000 Customer Limit.** Member hereby represents and warrants that as of the Effective Date, it, together with any of its Affiliates, is not providing services to an aggregate of 300,000 or more customers in any single Service Category.

11.3 No Service Warranty. NRTC MAKES NO WARRANTIES OR REPRESENTATIONS TO MEMBER, ANY AUTHORIZED AGENT, ANY CUSTOMER, OR TO ANY OTHER PERSON AS TO ANY MATTER WITH RESPECT TO WHICH WILDBLUE IS RESPONSIBLE UNDER THE WILDBLUE AGREEMENT OR OTHERWISE, INCLUDING WITHOUT LIMITATION PERFORMANCE OF THE WB NETWORK, ANY WB SERVICE OR THE CPE.

11.4 Disclaimer. EXCEPT AS EXPRESSLY SPECIFIED IN THIS AGREEMENT, NEITHER PARTY MAKES ANY REPRESENTATION OR WARRANTY OF ANY KIND IN CONNECTION WITH THE SUBJECT MATTER OF THIS AGREEMENT, AND EACH HEREBY DISCLAIMS ANY AND ALL IMPLIED WARRANTIES, INCLUDING, WITHOUT LIMITATION, ALL IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND ANY AND ALL WARRANTIES ARISING FROM COURSE OF DEALING OR COURSE OF PERFORMANCE.

12. Indemnification.

12.1 Indemnification by NRTC. NRTC shall indemnify, defend and hold harmless Member, its Authorized Agents and its and their respective Affiliates and permitted successors and assigns, and their respective officers, directors, employees, consultants and agents (each, a "Member Indemnitee") from and against any claims, suits, proceedings, losses, liabilities, damages, penalties, fines, costs and expenses (including, but not limited to, reasonable attorneys' fees and all amounts paid in the investigation, defense or settlement of any or all of the foregoing) ("Claims") that arise out of, or are incurred in connection with, any breach by NRTC of any of its representations, warranties, covenants or obligations set forth in this Agreement. Notwithstanding anything to the contrary in this Agreement, NRTC shall not indemnify Member from any Claims that arise out of or are incurred in connection with any breach by WildBlue of its representations, warranties, covenants or obligations, or any failure of WB Service or the CPE, regardless of whether such breach or failure may also constitute a breach of any representation, warranty, covenant or obligation of NRTC set forth in this Agreement.

12.2 Indemnification by Member and Authorized Agents. Member shall, and shall cause each of its Authorized Agents to, indemnify, defend and hold harmless NRTC, its Affiliates (excluding, however, Member), successors and assigns, and their respective officers, directors, employees,

consultants and agents (each, an "NRTC Indemnitee") from any Claims that arise out of or are incurred in connection with:

(a) the conduct of Member's or any of its Authorized Agents' operations or the exercise by any such person of its rights under or pursuant to this Agreement, any Authorized Agent Agreement, or any Customer Agreement, or relating in any way to such person's provision of WB Service or the CPE, including without limitation any third party claim (including by WildBlue) arising from the marketing, promotion, distribution or sale of the WB Service (which shall include without limitation any Claim that Member's or any of its Authorized Agents' portals, trademarks, service marks, trade names, designations, logos or other marks, or any of its or their intellectual property used in conjunction with the Distribution Rights, infringes or violates any third party's copyright, U.S. patent, trade secret, service mark, trademark or any other intellectual property rights), the installation of any CPE, the billing and collection for, or service and support of, the WB Service, or any other communication, contact or dealing among NRTC, Member, any other Participating Members, or any of their Authorized Agents, or between any of them and any Customer, or any act, omission, circumstance or event relating thereto;

(b) any breach by Member of any of its representations, warranties, covenants or obligations set forth in this Agreement; and

(c) any Claim asserted directly or indirectly by Member or any of its Affiliates or Authorized Agents against WildBlue.

12.3 Indemnification Procedures. Each Party's obligation to indemnify the other Party is conditioned upon the Party seeking indemnification (the "Indemnified Party") promptly notifying the indemnifying Party (the "Indemnifying Party") of any Claims for which indemnification is sought; provided that failure to provide notification shall not relieve a Party of its indemnification obligation if such failure does not materially prejudice the Indemnifying Party's ability to defend such Claim. Within ten days after delivery of such notification, the Indemnifying Party may, upon written notice to the Indemnified Party, assume control of the defense of such Claim with counsel reasonably satisfactory to the Indemnified Party, provided that the Indemnifying Party may only assume control of such defense if (i) it provides reasonable assurances to the Indemnified Party that it has the financial capability to fund the costs of such defense, (ii) the Claims do not involve criminal liability or seek equitable relief and (iii) the interests of the Indemnifying Party and the Indemnified Party with regard to such Claim are not in conflict, as reasonably determined by the Indemnified Party. If the Indemnifying Party does not assume control of the defense, the Indemnified Party shall control such defense and the costs thereof shall be included in the Claims indemnified under this Section 12, provided, however, that detailed information substantiating such costs shall be provided to the Indemnifying Party in a timely manner. The Parties shall reasonably cooperate in the defense of any Claims, and whichever Party has not assumed control of the defense of any Claim may, at its own expense, participate in such defense with counsel of its own choosing. The Party controlling defense shall have the right to settle any Claims; provided, however, that if any settlement materially affects the Party not controlling the defense, then such settlement shall require the advance written consent of the non-controlling party (which consent will not unreasonably be withheld). No Indemnifying Party shall, without the consent of the Indemnified Party, consent to entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such Claim. The Indemnifying Party shall not be liable for any settlement of any such action effected without its written consent (which consent will not unreasonably be withheld), but if settled with its written consent, or if such consent is unreasonably withheld, conditioned or delayed, or if there is a final judgment for the plaintiff in any such action or proceeding, the Indemnifying Party shall indemnify and

hold harmless the Indemnified Party from and against any loss or liability by reason of such settlement or judgment.

12.4 Limitation on Indemnification. The Indemnifying Party shall not be required to indemnify the Indemnified Party to the extent of any insurance proceeds actually received by the Indemnified Party. If an Indemnified Party receives any insurance proceeds after a Claim has been paid by the Indemnifying Party, such Indemnified Party shall promptly return such payment to the Indemnifying Party to the extent of such proceeds received. An Indemnified Party will not be entitled to indemnification with respect to punitive damages assessed against such Indemnified Party, except in the case of fraud or willful misconduct of the Indemnifying Party to which such punitive damages are attributed.

13. Miscellaneous

13.1 Independent Contractors. Notwithstanding that Member is a member of NRTC, neither Party is, nor shall be deemed to be, an agent, partner, joint venturer or representative of the other Party, and neither Party shall have any right, power or authority to enter into any agreement for or on behalf of, or incur any obligation or liability, or to otherwise bind the other Party, other than as expressly provided herein.

13.2 Severability. It is the intention of the Parties hereto that the provisions of this Agreement shall be enforced to the fullest extent permissible under all applicable laws and public policies, but that the unenforceability of any provision hereof (or the modification of any provision hereof to conform with such laws or public policies, as provided in the next sentence) shall not render unenforceable or impair the remainder of this Agreement. Accordingly, if any provision shall be held by a court or other tribunal of competent jurisdiction to be unenforceable, either in whole or in part, this Agreement shall be deemed amended to delete or modify, as necessary, the invalid or unenforceable provisions and to alter the balance of this Agreement in order to render the same valid and enforceable, consistent (to the fullest extent possible) with the intent and purposes hereof.

13.3 Costs. Except as otherwise expressly provided in this Agreement, each Party shall bear and pay all of its own costs and expenses incurred in negotiating and preparing this Agreement and any related documentation and performing its obligations and providing its services and other deliverables under this Agreement.

13.4 Binding Effect/Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective permitted successors and permitted assigns. Except as otherwise expressly provided in Sections 3.11 and 3.14, Member may not Transfer this Agreement or any of its rights or obligations hereunder without the consent of NRTC. NRTC may Transfer this Agreement and its rights and obligations hereunder, in whole or in part, without the consent of Member.

13.5 Notices. All notices required under this Agreement shall be in writing and shall be given by personal delivery, or sent by facsimile transmission, overnight courier service, or certified mail postage prepaid, to the Parties at their respective addresses or facsimile numbers set forth on the signature page. All notices shall be deemed effective upon transmission by facsimile with confirmation of receipt, upon personal delivery, upon delivery by any overnight courier service with delivery confirmation or three business days following mailing with the U.S. Postal System, in accordance with this Section. Any Party may change its address for notice, by giving notice of change of address in the manner provided in this Section.

13.6 Governing Law; Jurisdiction; Attorneys' Fees. This Agreement shall be governed by the laws of the District of Columbia without regard to its conflict of laws provisions. All actions with respect to this Agreement shall be brought in Fairfax County, Virginia, and the Parties expressly consent to the personal jurisdiction of such courts. Each Party shall have the right to obtain injunctive relief, if necessary, in order to prevent the other Party from willfully breaching its obligations under this Agreement or to compel the other party to perform its obligations under this Agreement. Except as otherwise provided in Section 12.3, in the event any proceeding is brought by either Party in connection with this Agreement, the prevailing Party in such litigation or other proceeding shall be entitled to recover from the other Party all costs, reasonable attorneys' fees and other reasonable expenses incurred by such prevailing Party in such litigation.

13.7 Waiver. No waiver of any provision of this Agreement, or any rights or obligations of either Party under this Agreement, shall be effective unless in writing signed by the Party waiving compliance, and any such waiver shall be effective only in the specific instance and for the specific purpose stated in such writing.

13.8 Entire Agreement; Amendment. This Agreement and the Exhibits attached hereto constitute the entire agreement between the parties and supersede all previous understandings, commitments and representations concerning the subject matter hereof. Each Party acknowledges that the other Party has not made any representations other than those that are contained in this Agreement and the Exhibits. The Exhibits may be amended or modified from time to time by NRTC in NRTC's Discretion. The terms and conditions of this Agreement may not otherwise be modified or amended other than in writing signed by both Parties. NRTC, in NRTC's Discretion, may modify, amend, restate or terminate of all or any portion of this Agreement in connection with a decision to exit the WildBlue distribution business, for purposes of ensuring NRTC's continued compliance with the WildBlue Agreement (as the same may be amended from time to time) or otherwise, and Member hereby agrees to execute such documents, and take all such other actions, as NRTC may in its discretion request in order to effectuate such purposes, regardless of the economic or other impact or damage to Member or any other person that may result therefrom.

13.9 Execution in Counterparts and by Facsimile. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. This Agreement may be executed and delivered by facsimile and shall have the same force and effect as delivery of an original document with original signatures.

13.10 Force Majeure Events. Any failure or delay in performance by a Party (other than of payment obligations) shall not be deemed a breach of this Agreement by such a Party, if such failure or delay results from or is caused by any Force Majeure Event.

13.11 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

13.12 No Inference. No provision of this Agreement will be interpreted against any Party solely because the Party or its legal representatives drafted or participated in the drafting of the provision.

13.13 Cooperation. From time to time, each Party shall cooperate in good faith with the other Party in order to carry out the provisions of this Agreement. Each Party shall make, execute, acknowledge and deliver such instruments, agreements, consents, assurances and documents, and take all

such other actions, as the other Party may reasonably request and as may reasonably be required in order to effectuate the purposes and intents of this Agreement and to carry out its terms.

13.14 Limitation on Damages. NO PARTY SHALL BE LIABLE TO THE OTHER PARTY, SUCH OTHER PARTY'S AUTHORIZED AGENTS OR ITS CUSTOMERS, OR ANY OTHER ENTITY CLAIMING THROUGH OR UNDER SUCH OTHER PARTY FOR ANY LOSS OF PROFITS OR INCOME, LOSS OF DATA OR OTHER TANGIBLE OR INTANGIBLE BUSINESS LOSS OR OTHER CONSEQUENTIAL, PUNITIVE, INCIDENTAL OR SPECIAL DAMAGES, EVEN IF SUCH PARTY HAD BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT.

13.15 WildBlue Agreement. This Agreement is subject to the terms and conditions of the WildBlue Agreement. This Agreement is not intended to and does not confer to Member any rights inconsistent with or greater than the rights obtained by NRTC from WildBlue for conveyance to Member pursuant to the WildBlue Agreement. In the event of any conflict between this Agreement and the WildBlue Agreement as to NRTC's rights and obligations, the WildBlue Agreement shall control. Member is not a party to or a third party beneficiary of the WildBlue Agreement.

13.16 WildBlue's Third Party Beneficiary Rights. WildBlue shall have the rights of an express third party beneficiary solely under and with respect to those provisions of this Agreement or any Authorized Agent Agreement, including, as applicable, Section 6.4 of this Agreement, that are reasonably required to (i) preserve the integrity of the WB Network; (ii) prevent the use or operation of the WB Network or WB Service in violation of applicable law or regulation; or (iii) protect WildBlue's property rights, including trademarks and other intellectual property rights, and reputation. Notwithstanding the foregoing, only after Member fails to cure any such breach of this Agreement within 30 days after WildBlue's notice to NRTC of such a breach may WildBlue directly enforce this Agreement or any provision of any Authorized Agent Agreement or Customer Agreement of which WildBlue may be a third party beneficiary; provided, however that WildBlue shall not be required to provide such notice or opportunity to cure if the associated delay would have a material adverse affect on the business operations or assets of WildBlue. Except as expressly set forth in this Section 13.16, WildBlue shall not be, and shall not have the rights of, an express third party under this Agreement or any Authorized Agent Agreement. No Authorized Agent shall have, or be entitled to exercise or enforce, any rights as a third party beneficiary under this Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Parties have duly executed and delivered this Agreement as of the Effective Date set forth above.

MEADE COUNTY RURAL ELECTRIC COOP. CORP.

[Member]

By: Burns E. Mercer

Name: BURNS E. MERCER

Title: PRESIDENT / CEO

National Rural Telecommunications Cooperative

By: Mark A. Brown

Name: MARK A. BROWN

Title: SVP

Notice Address:

Attn: _____

Facsimile: _____

Notice Address:

2121 Cooperative Way
Herndon, VA 20171

Attn: Mark Brown, Senior Vice President,
Member Business Support

Facsimile: 703-787-9301

with a copy sent to the same address,
attention Steven T. Berman,
Senior Vice President, Business Affairs
and General Counsel

Approved
[Signature]
NRTC
Legal Department

EXHIBIT A

Definitions

1. “**Access Revenue Triggering Event**” has the meaning given in Exhibit E.
2. “**Additional WB Services**” means any and all other products and services, in addition to Core WB Services, now or hereafter offered by WildBlue to residential and/or small office/home office end users in the continental United States, including other services such as, without limitation, multiple dwelling unit services, video, telephony, streaming media and access to other content or data, whether or not bundled in any WB Service Package or separately sold or priced.
3. “**Affiliate**” means any entity that controls or is controlled by another entity, as determined by NRTC in NRTC’s Discretion.
4. “**Authorized Agent**” means any third-party dealer or retailer that is not otherwise prohibited from distributing WB Service; provided, however, Eligible Members, multi-state retail chains, retailers with more than three physical store locations, online retailers that sell in more than one State, Specified Persons, Master Agents and Affiliates of any of the foregoing, may not be Authorized Agents without the prior written consent of NRTC.
5. “**Authorized Agent Agreement**” has the meaning given in Section 2.1(c).
6. “**Average Residential Subscriber Data Usage At Peak**” means an amount calculated by WildBlue as follows:
 - first, measure all data at the IP layer on the network side of the SMTS at each WildBlue Gateway and configure the traffic measuring device to segregate the data to include in this measure only data from “Residential Users”;
 - second, measure the throughput with a 15 minute window, sliding in 1-minute increments across a 24 hour period, and take the maximum 15 minute throughput as the “Daily Peak”;
 - third, measure a Daily Peak for each Gateway for a consecutive 30 day period and average the 30 Daily Peaks during this period (the “Average Daily Peak” for each Gateway);
 - fourth, take the sum of the Average Daily Peaks from all the Gateways. Such sum is the “Average Residential Subscriber Data Usage At Peak.”
7. “**Beta Launch**” means the date of commencement by WildBlue of any beta testing of WB Service, or services related thereto, with a group of users that begins beta testing of Core WB Services.
8. “**Business Support Fee**” has the meaning given in Section 4.5.
9. “**Capacity Constrained Area**” has the meaning given in Section 7.
10. “**Churn Rate**” means, with respect to any Participating Member, for any monthly billing period the aggregate number (on a consolidated basis) of Customers whose WB Service accounts with such Participating Member are deactivated during such monthly billing period for any reason.

divided by the aggregate number of Customers of such Participating Member as of the last day of such monthly billing period.

11. **"Claims"** has the meaning given in Section 12.1.
12. **"Commercial Launch"** means the date on which WildBlue first commences offering to Subscribers for a fee WB Service that is available to prospective Subscribers in at least 80% (by area) of the continental United States.
13. **"Confidential Information"** means any and all information related to the services and/or business of a party that is treated as confidential or secret by the party (that is, it is the subject of efforts by the disclosing party that are reasonable under the circumstances to maintain its secrecy) including, but not limited to, the terms and conditions of this Agreement and all Confidential Information of WildBlue.
14. **"Continuity Period"** has the meaning given in Section 6.2.
15. **"Core WB Services"** means any and all digital data telecommunications and related services offered or provided from time to time by WildBlue to any end user that incorporate (i) a shared satellite link (over any satellite in any orbital location) between the end users and WildBlue's Gateway Equipment Modules; (ii) connectivity from Gateway Equipment Modules to a national Internet access backbone provider and (iii) Internet access via such backbone provider's network. WildBlue may from time to time make Core WB Services available at various levels of service, some or all of which may also include various WB ISP Services. All provisions of this Agreement applicable to Core WB Services shall apply to Additional WB Services if and when NRTC so determines in NRTC's Discretion. Member shall have the right to offer and sell to Customers any Additional WB Services that NRTC determines in NRTC's Discretion to be a Core WB Service, on the same terms and conditions as Member offers and sells all other Core WB Services.
16. **"CPE"** means the hardware (one WildBlue modem and one Ka-Band outdoor unit (mount, dish, electronics)) and software provided by WildBlue (or its designated suppliers) sufficient to enable a Customer to access the WB Network from the Customer's computer and capable of receiving WB Service, but excluding wiring, Ethernet or USB network interface hardware in the Customer's personal computer and any non-standard packaging or labeling requested by NRTC, Member or Member's Authorized Agents. The current components of the CPE are listed on Exhibit F attached hereto.
17. **"CPE Cost Triggering Event"** has the meaning given in Exhibit E.
18. **"Customer Agreement"** has the meaning given in Section 2.1(d).
19. **"Customer Data"** has the meaning given in Section 3.7.
20. **"Customers"** means residential and small office/home office end users in the continental United States that are sold WB Service by Member or its Authorized Agents. Such an end user is a "Customer" for a given month if authorized to use WB Service at any time during a billing month.

21. **"Distribution Rights"** has the meaning given in Section 2.1(a).
22. **"Effective Date"** has the meaning given in the introductory paragraph to this Agreement.
23. **"Eligible Member"** means any electric distribution cooperative, telephone cooperative or independent telephone company that maintains membership in Good Standing with NRTC as a Class A, Class B or Class C member, including as part of a group Class G member, and directly serves consumers and is not otherwise disqualified from eligibility to enter into a Member Agreement with NRTC.
24. **"Equipment Problems"** has the meaning given in Section 3.8.
25. **"Excluded Distributor"** has the meaning given in Section 8.
26. **"Fair Access Policy"** has the meaning given in Section 3.16(a).
27. **"Force Majeure Event"** means, with respect to any person or entity, any acts of God, labor dispute, weather, fire, flood, legal enactment, government order or regulation, acts or omissions of third parties, acts of war, insurrection, foreign or domestic terrorism, condemnation by eminent domain, or any similar cause beyond the reasonable control of such person or entity.
28. **"Good Standing"** has the meaning given in Section 3.16(c).
29. **"Initial Term"** has the meaning given in Section 6.1.
30. **"ISP Services"** means the e-mail, e-mail accounts, web-hosting, usenet and other related services listed on Exhibit G hereto that are provided to Subscribers as part of the standard Retail Rate for WildBlue retail residential Satellite Internet Access Service, which Exhibit G and services listed thereon may be updated, changed or replaced from time to time by NRTC.
31. **"Master Agent"** means any dealer, retailer or other person or entity, other than any Participating Member, that NRTC, in NRTC's Discretion, determines is engaged in the business of identifying, soliciting, managing and/or compensating agents for the sale, distribution and/or installation of products or services relating to multichannel video programming, voice and/or data telecommunications, and/or Internet access, or that as a business identifies, solicits, manages or compensates at any point in time eight or more other Authorized Agents or installation agents for WB Service and/or the CPE.
32. **"Member"** has the meaning given in the introductory paragraph to this Agreement.
33. **"Member Agreement"** means any agreement between NRTC and any Class A, B, C or G member or associate of NRTC substantially similar in form and substance to this Agreement.
34. **"Member Indemnitee"** has the meaning given in Section 12.1.
35. **"Member ISP Services"** means ISP Services provided by Member and offered by Member to Customers in lieu of the WB ISP Services or NRTC ISP Services.
36. **"Member Rights and Obligations"** has the meaning given in Section 3.14.

37. **"Member Tier 1 Customer Support"** means post-installation troubleshooting by Member with Subscribers and support by Member to Subscribers regarding WB Service and the use and operation of the CPE, including resolution of browser, e-mail, file transfer protocol, newsgroup and other internet-related issues, and coordination of service and warranty related matters.
38. **"Minimum Acceptance Standard"** means a failure by WildBlue (including, for such purposes, WildBlue's distributors and sales agents, including without limitation NRTC, Participating Members and Authorized Agents, in the aggregate), to add as paying Subscribers to WB Service (at applicable Retail Rates or other standard rates charged by such persons or entities) (i) during the first 24 months after Commercial Launch at least 10,000 new Subscribers or (ii) during any successive 12 calendar months thereafter at least 10,000 new paying Subscribers.
39. **"Most Favored Terms"** has the meaning given in Exhibit E.
40. **"New Capacity Notice"** has the meaning given in Section 9(c).
41. **"NRTC"** has the meaning given in the introductory paragraph to this Agreement.
42. **"NRTC's Discretion"** means the sole and absolute discretion of NRTC.
43. **"NRTC Indemnitee"** has the meaning given in Section 12.2.
44. **"NRTC ISP Services"** mean ISP Services provided by NRTC and offered by NRTC to Subscribers in lieu of the WB ISP Services or Member ISP Services.
45. **"NRTC Customer Service"** means NRTC Tier 1 Customer Support and/or NRTC Tier 2 Customer Support.
46. **"NRTC Tier 1 Customer Support"** means telephone-based post-installation troubleshooting by NRTC with Subscribers and support by NRTC to Subscribers regarding WB Service and the use and operation of the CPE, including resolution of browser, e-mail, file transfer protocol, newsgroup and other Internet-related issues, and coordination of service and warranty related matters.
47. **"NRTC Tier 2 Customer Support"** means telephone-based help designed to provide timely trouble-shooting of technical WildBlue installation, CPE or other customer-related issues for Member's customer care supervisors, managers or installers.
48. **"Participating Member"** means an Eligible Member that has signed a Member Agreement.
49. **"Poor Performer"** has the meaning given in Section 3.8.
50. **"Provisioning Interface"** has the meaning given in Section 3.6.
51. **"Renewal Term"** has the meaning given in Section 6.1.
52. **"Retail Rate"** means, for each WB Service Package (including any WB Service Package that includes any Additional WB Service) generally offered by WildBlue directly to Subscribers, whether on a national, regional or other basis (but excluding anything offered on a temporary or

trial basis in connection with the development or testing of any proposed offering by WildBlue), the nationally advertised monthly subscription rate charged to the Subscriber for such WB Service Package, as in effect from time to time, as determined by NRTC. The "Retail Rate" excludes (a) promotions, discounts and allowances (unless offered to new Subscribers for more than three consecutive months), and (b) discounts and allowances related to the CPE and installation service costs.

53. "Retail Rate Percentage" has the meaning given in Exhibit B attached hereto.
54. "Satellite Internet Access Service" has the meaning given in Section 9(a).
55. "Service Category" means any one of the following services provided by Member to its customers: (i) provision of Internet access services other than Satellite Internet Access Service; (ii) local and/or long distance telephone services; (iii) satellite TV services; or (iv) "high speed" or broadband equivalent Satellite Internet Access Service.
56. "Service Failure" has the meaning given in Section 2.6(b).
57. "Service Interruption" means a determination by NRTC and WildBlue that, due to problems on the WB Network, one or more of Member's Customers cannot access the Internet, but does not include scheduled outages on the WB Network (not to exceed eight hours per calendar month, of which no more than two hours per calendar month will be between the hours of 6:00 am and 2:00 am on the following day, Mountain Time); or events outside of WildBlue's control, weather outages, outages on the Internet backbone, problems with the Customer's network, Customer CPE outages, outages occurring due to a Customer's negligence or the failure or malfunction of any equipment or systems not provided or authorized by WildBlue.
58. "Service Interruption Rate" means the product of (i) the fraction $1/8,640$; times (ii) the then applicable Retail Rate.
59. "Service Interruption Credit" has the meaning given in Section 2.6(a).
60. "Specified Person" has the meaning given in Section 11.2(a).
61. "Standard Installation Package" means the services described in Exhibit H attached hereto.
62. "State" means any state of the continental United States and the District of Columbia.
63. "Subscribers" means end users of WB Service, including, as applicable, Customers.
64. "Successor", as to any person, means a successor to all or substantially all of such person's business as a going concern (whether by acquisition of all or substantially all of its assets or capital stock or other equity interests, merger or consolidation).
65. "Term" means the Initial Term and any Renewal Term.
66. "Termination Result" has the meaning given in Section 3.8.

67. **“Total Internet Access Revenues”** means the average monthly “revenue” for the 12 monthly billing periods ending on or prior to the end of the sixth year after the date of Commercial Launch (calculated based on Retail Rates) for total retail Subscribers of WB Service (regardless of actual amounts collected by WildBlue) derived from Internet access utilizing WB Service (as well as any “revenue” from services required in order to receive Internet access, or any services that are bundled within the single Internet access price normally charged by WildBlue as a Retail Rate to retail Internet access customers for access to such a service, excluding applicable fees and taxes).
68. **“Transfer”** has the meaning given in Section 3.14.
69. **“Transfer Event”** has the meaning given in Section 3.14.
70. **“Triggering Event”** means an Access Revenue Triggering Event or a CPE Cost Triggering Event.
71. **“Trigger Gap Payments”** shall have the meaning given in Exhibit D.
72. **“WB ISP Services”** means ISP Services provided by WildBlue, without additional or separate charges, to Subscribers as part of the standard Retail Rate for WildBlue retail residential Satellite Internet Access Services.
73. **“WB Network”** means WildBlue’s satellite networks and systems.
74. **“WB Service”** means Core WB Services and, if offered by WildBlue on a bundled basis with Core WB Services, Additional WB Services.
75. **“WB Service Package”** means a standard level of WB Service made generally available by WildBlue to Subscribers or a subcategory of Subscribers on either a national or a regional basis, together with the WB ISP Services and any other services, including, without limitation, any Additional WB Services, generally bundled with such level of WB Service for a single regular monthly fee. The initial WB Service Packages for Core WB Services to be offered and provided by WildBlue as of Commercial Launch are set forth on Exhibit I hereto (retail residential; small office/home office (exclusive of public schools)), but the Parties acknowledge that other WB Service Packages may be offered from time to time. The term “WB Service Package” does not include any un-bundled, additional or add-on services that may be offered from time to time by WildBlue for a separate fee additional to a single regular monthly fee.

EXHIBIT B

Retail Rates

Member shall pay NRTC on a monthly basis, for each monthly billing cycle, either (x) 56% of WildBlue's Retail Rate (the "Retail Rate Percentage") for the level of WB Service Package utilized by each active Customer on the last day of the prior monthly billing cycle (or WildBlue's then current Retail Rate for the level of WB Service, as prorated for partial period service, in the instance of an initial billing cycle for a new Customer or the last billing cycle of a Customer terminating service), or (y) a Retail Rate Percentage of 53% of WildBlue's Retail Rate in the event Member provides such Customer with NRTC ISP Services or Member ISP Services in accordance with this Agreement, and such Customer does not use WB ISP Services.

Any change in the Retail Rate(s) by WildBlue shall not be effective for purposes of determining payments due NRTC hereunder until the later to occur of (i) the effective date of such change or (ii) the first monthly billing cycle occurring at least 60 days after NRTC notifies Member of such change to the Retail Rate(s).

EXHIBIT C

Participation Fees

The Participation Fee is based on the number of access lines or meters Member has publicly reported, and is initially set at \$10.00 per access line or meter. NRTC will determine the Participation Fee for each Member, subject to the dispute procedures set forth below. The following fee schedule will be utilized in calculating Participation Fees including, as appropriate, minimums and maximums:

Date Fee Paid	Per Meter/Access Line Fee	Minimum Fee	Maximum Fee
Aug 1, 2003 to Sep 30, 2003	\$5	\$15,000	\$150,000
Oct 1, 2003 to Dec 31, 2003	\$6	\$16,000	\$160,000
Jan 1, 2004 to Mar 31, 2004	\$7	\$17,000	\$170,000
Apr 1, 2004 to Jun 30, 2004	\$8	\$18,000	\$180,000
Jul 1, 2004 to Sep 30, 2004	\$9	\$19,000	\$190,000
Oct 1, 2004 to Dec 31, 2004	\$10	\$20,000	\$200,000

In the event that Member disputes in good faith NRTC's determination of the Participation Fee for Member, Member may submit to NRTC for NRTC's further consideration an audit report prepared by an independent auditor or documentation that Member has filed with public authorities having veracity and verifiability similar to an audited report (including without limitation a RUS Form 7) within 30 days of NRTC's determination. Within 10 days of NRTC's receipt from Member of any such submission, NRTC will consider, reevaluate and either modify or confirm the Participation Fee initially quoted to Member, which modification or confirmation shall be binding upon Member for purposes of this Agreement.

If Commercial Launch has not occurred prior to December 31, 2005, 100% of the Participation Fee will be returned to Member if NRTC terminates the WildBlue Agreement, or if Member terminates this Agreement pursuant to Section 6.3(d).

If at any time within the four-year period following Commercial Launch NRTC determines, in NRTC's Discretion, that due to a Force Majeure Event, WB Service is and thereafter will be permanently unavailable, then regardless of whether NRTC or WildBlue terminates the WildBlue Agreement or Member or NRTC terminates this Agreement, but subject to NRTC's right of setoff for amounts due and owing from Member, NRTC shall return to Member in cash that portion of the Participation Fee that NRTC determines, in NRTC's Discretion, has not as of the date of such catastrophic event yet been returned to Member in the form of CPE subsidies.

EXHIBIT D

Business Support Fee

\$6.65 per Customer per month, subject to Section 4.5.

EXHIBIT E

Triggering Events

1. **Triggering Events.** If on the sixth anniversary of the date of Commercial Launch: (i) the then aggregate cost to WildBlue and NRTC (FOB manufacturer, excluding taxes and similar fees) of the lowest cost CPE then offered by or through WildBlue for a WB Service Package offered by NRTC or any Participating Member (which, if available, operates at a speed of 256k up and 512k down) is \$200.00 or less (the "CPE Cost Triggering Event") or (ii) the then Total Internet Access Revenue per residential retail Subscriber divided by the then Average Residential Subscriber Data Usage At Peak is \$7.80 or less (the "Access Revenue Triggering Event"), then WildBlue may notify NRTC of such Triggering Event at any time during the 30 day period immediately after such sixth anniversary and that WildBlue desires to renegotiate the economic terms of the WildBlue Agreement.

In the event WildBlue gives notice of a Triggering Event, as and when provided in the WildBlue Agreement:

- (a) NRTC and WildBlue shall negotiate in good faith to revise the economic terms of the WildBlue Agreement, which, if accepted by NRTC and WildBlue, will apply to all Customers obtained by Member and its Authorized Agents from and after the seventh anniversary of the date of Commercial Launch until the end of the Initial Term and the Continuity Period;
- (b) If NRTC and WildBlue fail to agree on such revised economic terms within 90 days after WildBlue's notice of a Triggering Event, NRTC may, within 30 days thereafter, elect to amend in its entirety or amend and restate the WildBlue Agreement and offer WB Services under the amended and/or restated agreement containing the same terms, taken as a whole, as are then in effect between WildBlue and any other retail distributor of WB Service ("Most Favored Terms"), in which event such Most Favored Terms shall apply to all Customers obtained by Member and its Authorized Agents from and after the seventh anniversary of the date of Commercial Launch until the end of the Initial Term and the Continuity Period, and the economic terms of the WildBlue Agreement shall apply to all Customers as of the date of termination through termination of the amended or amended and restated agreement (WildBlue's only obligation shall be to provide a summary of the material terms to NRTC, subject to certain audit rights and procedures set forth in the WildBlue Agreement);
- (c) In lieu of the above provisions, in the event of an Access Revenue Triggering Event, NRTC may make per Subscriber monthly payments (for all Subscribers obtained by NRTC, Member, other Participating Members and Authorized Agents from and after the seventh anniversary of the date of the Commercial Launch until the end of the Initial Term and the Continuity Period) calculated annually for the eighth, ninth and tenth years of the WildBlue Agreement and equal to \$7.80 minus the actual Access Revenue Triggering Event amount ("Trigger Gap Payments"); and

- (d) If NRTC and WildBlue fail to agree on revised economic terms and NRTC does not elect to accept the Most Favored Terms, or, if applicable, to pay the Trigger Gap Payments, the Initial Term shall end on the seventh anniversary of the date of Commercial Launch, subject to the Continuity Period.

2. **Contract Renewal/Termination**

- (a) If WildBlue and NRTC fail to reach agreement on renewal of the WildBlue Agreement by the expiration date of the WildBlue Agreement's initial term, Member will lose the right under this Agreement to offer WB Service to new Customers immediately, but Member will retain its rights to service and support its then existing Customers during the Continuity Period, as provided above. Notwithstanding the foregoing, neither WildBlue nor NRTC shall have any obligation to agree to a renewal of the WildBlue Agreement after the expiration of the WildBlue Agreement's initial term.
- (b) In the event NRTC terminates the WildBlue Agreement for breach thereof by WildBlue, bankruptcy of WildBlue or certain related specified events, or failure of Commercial Launch by December 31, 2005, in addition to any other rights or remedies available to it, NRTC may, for itself and Participating Members, elect to continue to service and support existing Customers, under the provisions of the WildBlue Agreement, for the Continuity Period following the effective date of termination. In the event WildBlue terminates the WildBlue Agreement for breach thereof by NRTC, or bankruptcy of NRTC or certain related, specified events, the Continuity Period shall be three years except that (a) in the event WildBlue terminates the WildBlue Agreement for breach by NRTC other than failure to pay an amount due, the Continuity Period shall be six months, and (b) in the event WildBlue terminates the WildBlue Agreement as a result of NRTC's failure to make payment required under the WildBlue Agreement (other than any payments disputed in good faith), then the Continuity Period shall be one month.

EXHIBIT F

The CPE

The "CPE" consists of the hardware (one WildBlue modem and one Ka-Band outdoor unit (mount, dish, electronics)) and software provided by WildBlue (or its designated suppliers) sufficient to enable a Customer to access the WB Network from the Customer's computer and capable of receiving WB Service, but excluding wiring, Ethernet or USB network interface hardware in the Customer's personal computer and any non-standard packaging or labeling requested by NRTC, Member or Member's Authorized Agents. The current components of the CPE are listed below, and may be updated by NRTC in its sole discretion from time to time during the Term, as appropriate.

The CPE will consist of:

- ◆ 1 Satellite modem
- ◆ 1 Power supply
- ◆ 1 Ka-band antenna assembly
- ◆ 1 Ka-band transceiver
- ◆ 1 consumer product manual (paper)
- ◆ packaging of the CPE elements

EXHIBIT G

ISP Services

ISP Services that are planned to be available as WB ISP Services at no additional cost to WB retail residential and small office/home office Subscribers include:

For the lower-speed service:

- ◆ 5 email addresses (5 MB available/address, unlimited aliases, pop and web-mail)
- ◆ dial-up access available (features TBD)
- ◆ 10 mb of webspace, web-authoring tools
- ◆ Usenet

For the higher-speed service:

- ◆ 10 email addresses (15 MB available/address, unlimited aliases, pop and web-mail)
- ◆ dial-up access available (features TBD)
- ◆ 20 mb of webspace, web-authoring tools
- ◆ Usenet

EXHIBIT H

Standard Installation Package

[PLEASE NOTE: The Standard Installation Package has not been finalized by WildBlue, but is expected to include the items and components set forth below. NRFC will amend this Exhibit H as soon as the Standard Installation Package is finalized by WildBlue.]

The following items and components constitute a Standard Installation Package:

- ◆ A 24" by 38" white parabolic antenna. (Note: For purposes of comparison with a circular antenna, this is considered to be a 0.75-meter antenna)
- ◆ A universal (wall) antenna mount, identical or similar to the example described and illustrated in "Accommodating an Antenna."
- ◆ Two cables run from the antenna to the install location, up to a maximum of 75 combined feet of cable (exterior and interior) for each of the two cables.
- ◆ One penetration point, or point of entry (POE), for cables from the outside to the interior of the house. At least one POE will be provided, at a point reasonably closest to the room where the PC is located.
- ◆ On the inside wall of the POE, a wall plate will be installed. The two cables (the Internet transmit and receive cables) will be run from the antenna, through the POE wall plate, and then, as exposed cable, to the location of the PC. As stated above, both cables, combined, can be up to 75 feet long.
- ◆ Grounding the antenna in accordance with standard grounding code.
- ◆ Initializing the Internet access service on your PC.

EXHIBIT I

WB Service Packages as of Commercial Launch

[TO BE PROVIDED]

WildBlue has indicated its current intent and reasonable expectation that WB Core Services will be offered in at least two WB Service Package(s), at least one of which will be designed to perform at speeds of up to 256 kbps for uplink access and up to 512 kbps for downlink access, and at least one other WB Service Package that is designed to perform at speeds of up to 512 kbps for uplink access and up to 1.5 mbps for downlink access. WildBlue may offer other WB Service Packages from time to time, some of which may have indicated service speeds less than the foregoing.

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Q 18. Refer to the Application, Exhibit 21.

a. Explain the purpose of the Helping hand Fund.

b. Was Exhibit 21 included as part of the proposed tariff provided in Exhibit B and reflected in the tariff comparison provided in Exhibit C of the Application? If no, explain why it was not included in these exhibits.

- A.
- 18 a. The Helping Hand Fund is designed to round-up voluntarily customers' electric bills for those customers who wish to help those in need to pay their electric bills. All of these receipts will be forwarded to an appropriate agency such as "Wintercare". No administrative or other costs would be deducted from these receipts.
- 18 b. No, it was not included in Exhibit B and also not reflected in the tariff comparison provided in Exhibit C. Since this is a new tariff we did not include it in Exhibit B or C.
- 18 c. Yes. We are including with this application since it was our understanding that to initiate this type tariff it had to be approved in an application.

Witness: Burns E. Mercer

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
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Q 19. Concerning the PSC Assessment:

a. Did Meade include an adjustment to normalize the PSC
Assessment?

Response:

No.

b. Would Meade agree that the normalization should be included
and should the current PSC Assessment rate? Explain the response.

Response:

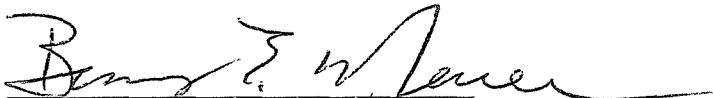
Yes. This was an oversight only. The PSC Assessment adjustment should
have been included.

Witness: Jim Adkins

This reply to the second data request of the Public Service Commission Staff is true and accurate to the best of my knowledge, information and belief after reasonable inquiry.

Signed this 4th day of May, 2007, by Burns E. Mercer, President / CEO of Meade County Rural Electric Cooperative Corp.

A true and correct copy has been mailed to the Attorney General of the State of Kentucky.


Burns E. Mercer President / CEO