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March 7, 2012

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Via ECFS

Marlene H. Dortch, Secretary
Federal Communications Commission
Washington, DC 20554

Re: Sandwich Isles Communications, Inc.
Notice of *Ex Parte* Presentation/WC Docket No. 09-133

Dear Ms. Dortch:

Sandwich Isles Communications, Inc. (SIC), through counsel, and pursuant to Section 1.1206(b) of the Commission's Rules, 47 C.F.R. § 1.1206(b), hereby submits this written *ex parte* presentation in this "permit, but disclose" proceeding. By *Order* dated January 30, 2012 (DA 12-106), the Wireline Competition Bureau offered to "informally" assist SIC in a dispute with the National Exchange Carrier Association (NECA) over NECA's plan to include certain unregulated revenues of SIC in the NECA pool. By this letter, SIC provides additional information to the Bureau to explain why NECA's actions are in violation of the FCC's *Declaratory Ruling* and contrary to NECA's contractual obligations regarding disputes of this nature.

By way of background, in its September 29, 2010 *Declaratory Ruling*, the Bureau determined that only 50% of SIC's regulated lease expenses could be included in the revenue requirement for recovery in the NECA traffic sensitive pool. The FCC explicitly excluded from those cable lease costs "those expenses associated with actual usage of the cable to provide services not compensated by the NECA tariff, including, among other things, non-regulated service and intrastate services." *Declaratory Ruling*, p. 4 n. 30. In so doing, the FCC effectively held that half of SIC's cable lease costs could be recovered only with regulated revenues; the remaining 50% of SIC's cable lease costs could be recovered only from unregulated revenues and intrastate services.

Notwithstanding that FCC decision, NECA recently informed SIC that it intended to apply 50% of SIC's *unregulated* revenues toward **all of** SIC's regulated costs for purposes of determining what level of cost recovery SIC could receive from the NECA pool. *See* NECA letter to Sandwich Isles Communications (January 16, 2012), attached hereto as Attachment One. NECA's decision is in direct violation of the FCC's Declaratory Ruling. If NECA were to unilaterally apply **any** amount of SIC's unregulated revenues toward SIC's regulated costs, SIC will as a practical matter have to earn twice as much in annual "unregulated revenues" just to break even and cover its annual cable lease costs. NECA claims that it is authorized to apply 50

cents of every one dollar of unregulated revenues to offset SIC's regulated costs, but, that is entirely arbitrary, it is contrary to the FCC's Declaratory Ruling and it will make it virtually impossible for SIC to ever recover 100% of the full costs of its cable lease. SIC must be allowed to recover all of its unregulated costs with all of its unregulated revenues, otherwise, it will be financially unable to pay for the deployment of broadband services to the Hawaiian Home Lands, which is a core FCC and Congressional policy objective for the State of Hawaii.

The record states that SIC's annual lease costs are $15 million; of that, the FCC has for now determined that only $7.5 million of those costs can be offset by regulated income and included in the NECA pool. Thus, if NECA unilaterally applies **any** amount of unregulated revenues to the FCC's regulated "cap," it is inevitable that NECA will apply too much revenue (by inappropriately mixing regulated and unregulated revenues) to SIC's regulated cost base. Likewise, by applying unregulated revenues to SIC's regulated costs, NECA is forcing SIC to earn one extra dollar in regulated revenues for every regulated dollar that NECA includes in the regulated pool. SIC must be permitted to recover all of its $7.5 million in unregulated costs with $7.5 million in unregulated revenues; NECA's violation of the FCC's *Declaratory Ruling* will prevent SIC from covering its unregulated costs.

From NECA's perspective, it has obvious incentives to claim "50 cents on the dollar" from every dollar of unregulated revenue that SIC generates. Although it has no legal basis for doing so, NECA would be delighted to take uregulated revenues to offset its members' regulated costs. But, if NECA is allowed to keep 50% of every dollar of unregulated SIC revenue, SIC will have to earn twice as much in unregulated revenues ($15 million) merely to break even with respect to its $7.5 million in annual unregulated costs. In short, under NECA's interpretation of the FCC's Declaratory Ruling, SIC would have to earn $22.5 million in total regulated and unregulated revenues just to break even with respect to its $15 million in annual cable lease costs. This cannot possibly be the result that the FCC contemplated in its *Declaratory Ruling*.

SIC's understanding of the true meaning of the *Declaratory Ruling* is underscored by the language of that Order. In pertinent part, the Bureau stated that: "in the future, the lease expenses subject to dispute would exclude those expenses associated with actual usage of the cable to provide services not encompassed by the NECA tariff, including, among other things, non-regulated services and intrastate services." *Declaratory Ruling* at 4, n. 30 (emphasis added). In other words, the Bureau established a strict demarcation line between regulated and unregulated services; neither SIC nor NECA should co-mingle the two. But, that is precisely what NECA has opted to do over SIC's stated objections. NECA has unilaterally opted to use

SIC's unregulated revenues, revenues intended to cover unregulated costs, and apply them to regulated costs, in direct violation of the Bureau's holding.

In addition to violating the express holdings of the *Declaratory Ruling*, the manner in which NECA has acted violates SIC's legal rights as a NECA Pool Member. NECA has simply pursued a "self-help" remedy, ignoring SIC's cost study and the Bureau's holdings, to claim unregulated revenues to which it is not entitled. After SIC notified NECA that it strongly disagreed with NECA's decision, NECA acknowledged that the parties "appear to have different positions on the appropriate treatment of non-regulated revenues related to the Paniolo facilities." *See* NECA letter to Sandwich Isles Communications (January 16, 2012), attached hereto as Attachment One. Nevertheless, despite this disagreement over a matter of substantial financial concern to SIC, NECA then proceeded to "override" SIC's cost study. *Id.*

NECA's employment of "self-help" is not only in substantive violation of the Bureau's *Declaratory Ruling*, it is in violation of SIC's contractual rights as a Pool Member. Attached hereto is a copy of the relevant "Agreement for the Distribution of Interstate Access Revenues" that SIC entered into with NECA in 1998. *See* Attachment Two. Drafted by NECA, this binding contract establishes SIC's rights and obligations as a Pool Member. The contract itself contains "Dispute Resolution" provisions, provisions that NECA has completely ignored. SIC has honored the Bureau's holdings, and has submitted cost studies that conform to those holdings. If NECA disagrees with SIC's actions and SIC's cost studies, it has no legal right to unilaterally over-ride a Pool Member's actions and claim for the benefit of its other exchange members large sums of regulated revenues. Rather, NECA is required by contract to pursue the legal remedies that it created in its "Agreement for Distribution" with SIC. Unless and until NECA pursues its legal remedies, NECA's self-help is in violation of SIC's rights as a Pool Member and in violation of the Bureau's holdings.

We welcome further meetings or recommendations from the Bureau that may lead to a resolution of this matter. Should there be any questions regarding this presentation, please contact SIC's undersigned counsel at (202) 344-4653.

Sincerely,

/s/ Frederick M. Joyce
Frederick M. Joyce

cc: Wireline Competition Bureau Chief Sharon Gillett
Associate Bureau Chief Deena Shetler
Acting Division Chief Victoria Goldberg,
Acting Deputy Chief Nicholas Alexander
Assistant Division Chief Pamela Arluk

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6400 S. Fiddler's Green Circle, Suite 1300
Greenwood Village, CO 80111

Susan Barrett
Director
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January 16, 2012

Ms. Judi Ushio
Director Corporate Services
Sandwich Isles Communications
27th Floor, Pauahi Tower
1003 Bishop St.
Honolulu, HI 96813

Dear Ms Ushio:

This letter is in follow up to our prior discussions regarding the proper regulatory treatment of the rental and/or incidental revenues that Sandwich Isles received for use of its' facilities during 2010. During the course of the review of the cost study submission, we noted that Sandwich Isles had recorded $2,232,308 in Account 7990.1 Non-Regulated Income. Discussions with your consultant, GVNW, indicated that these revenues were received from Oceanic Time Warner for use of the facilities that Sandwich Isles leases from Paniolo. Based on the conversations with Jim Rennard, we appear to have different positions on the appropriate treatment of non-regulated revenues related to the Paniolo facilities.

It is NECA's position that any non-regulated revenues received for the use of the Paniolo facilities are to be treated as a reduction to the lease expenses pursuant to the framework established in the FCC's Declaratory Ruling [1] and as further explained in our October 21, 2010 correspondence to Alan Pedersen of SIC and Ben Harper of GVNW (attached).

We hereby request that Sandwich Isles submit a corrected 2010 cost study, related pooling along with updated ICLS, LSS and USF submissions by January 24th. If Sandwich Isles is unable to provide corrections, please let us know and we can develop the proposed adjustments for your use in pooling. If Sandwich Isles refuses to provide corrections, NECA will override the pooled costs to bring settlements into compliance with the FCC Order. Should you have any questions or concerns, please do not hesitate to contact me at 303-893-4409.

Sincerely,

Susan M Barrett

Attachment

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[1] *Sandwich Isles Communications, Inc., Petition for Declaratory Ruling,* Declaratory Ruling, WC Docket No. 09-133, DA 10-1880 (Wir. Comp. Bur., rel. Sept. 29, 2010)

CC: James Rennard, GVNW; Al Pedersen, GVNW

AGREEMENT FOR THE DISTRIBUTION OF INTERSTATE ACCESS REVENUES SANDWICH ISLES COMMUNICATIONS, INC.

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This Agreement, effective as of April 10, 1998 between the National Exchange Carrier Association, Inc., herein called the Association, a non-profit corporation organized under the laws of the State of Delaware, and Sandwich Isles Communications, Inc., herein called the Exchange Carrier, sets forth the terms and conditions for participation by the Exchange Carrier in certain interstate access service revenue pooling and distribution arrangements.

WHEREAS, exchange carriers and the Association were ordered by the Federal Communications Commission (herein FCC) in CC Docket No. 78-72 to file interstate exchange access tariffs in compliance with Part 69 of the FCC's Rules; and

WHEREAS, the FCC, in its orders in CC Docket No. 78-72 provided for common access tariff arrangements among exchange carriers and permitted all exchange carriers to participate in pools for Carrier Common Line, End User, and Traffic Sensitive access elements; and

WHEREAS, the FCC mandated the establishment of the Association to administer the pools associated with the interstate access tariffs; and

WHEREAS, all exchange carriers are deemed to be members of the Association in accordance with 47 C.F.R. Section 69.601(b); and

WHEREAS, the fundamental requirement to administering the pools is the FCC-ordered distribution of revenues among the members of the Association; and

WHEREAS, the establishment of uniform pooling methodology and administrative guidelines is essential to the FCC-ordered distribution of revenues among exchange carriers and to assure the accurate and timely flow of funds among exchange carriers; and

WHEREAS, it is to the benefit of exchange carriers for the Association to effectuate payments among exchange carriers on a monthly basis; and that such payments should recover for each Exchange Carrier its monthly interstate access expenses and provide a common return by pool on its interstate access investment;

NOW THEREFORE, in consideration of the mutual covenants, agreements and undertakings set forth herein the parties agree as follows:

SECTION I

SCOPE OF THE AGREEMENT

This Agreement describes terms and conditions for the pooling and distribution of the interstate access revenues for the pool(s) in which the Exchange Carrier participates and as provided in Part 69 of Title 47 of the Code of Federal Regulations and as agreed to by both parties in this Agreement.

SECTION II

COMPLIANCE WITH FCC RULES AND REGULATIONS

With respect to all matters covered by this Agreement, the Exchange Carrier and Association shall comply with all applicable FCC Orders, Rules and Regulations, as may be modified from time to time by the FCC.

SECTION III

RESPONSIBILITIES OF PARTIES

A. Exchange Carrier

1. Reporting of Data for Revenue Distribution

The Exchange Carrier shall be responsible for the gathering, accuracy and reporting of all data in such form and at such times as may be reasonably required by the Association for purposes of effectuating monthly revenue distributions. The Exchange Carrier agrees to make available additional supporting documentation as may be reasonably required by the Association to resolve questions concerning reported data.

2. Bank Account Information

The Exchange Carrier agrees to provide information as necessary to the Treasurer of the Association with regard to the Exchange Carrier's bank and account into which payments are to be made to the Exchange Carrier. Such information shall be treated as proprietary information as stipulated in Section VIII of this Agreement.

B. Association

1. Tariff Filing

To the extent the Exchange Carrier participates in common tariff arrangements filed by the Association, the Association will monitor revenues, revenue requirements, and usage data related to Association filed tariffs. Should any change in circumstances warrant, the Association will take action, as it deems necessary, including consideration of tariff revisions to reflect changed conditions.

2. Settlement

The Association shall prepare and furnish to each Exchange Carrier a monthly settlement statement detailing the net amount due to or due from the Exchange Carrier and will effect required cash flows in accordance with Schedules published by the Association. The Association shall provide at least sixty (60) days notice prior to the date upon which any modification to this or any subsequent schedule takes effect. The method of payment by the Exchange Carrier to the Association, or from the Association to the Exchange Carrier, shall occur in accordance with Section V.

Notwithstanding any other provision in Sections IV, V, and IX of this Agreement, the Association's obligation to make payments under this Agreement and the timing of such payments is limited to the funds received by the Association, less reimbursement for Association expenses, from all members of the Association.

3. Cash Flow Contingency

To the extent that funds available to the Association, including borrowings, for making payment to exchange carriers are insufficient to satisfy net amounts due exchange carriers, the Association shall, in a manner consistent with the FCC's Rules and Regulations, distribute a pro-rata share of available funds to exchange carriers. If such distribution is made, the Exchange Carrier's pro-rata share shall be computed by determining the ratio of funds available to the total net amount due exchange carriers, and then applying this ratio against the individual Exchange Carrier's net amount due. Remaining balances of net amounts due the Exchange Carrier resulting from this calculation shall be reflected in the following data month's cash flow calculation.

SECTION IV

REVENUE SETTLEMENTS PROCESS

A. The term "settlement", as used herein, shall mean the reimbursement of expenses, taxes, and share of residue for each pool in which the Exchange Carrier participates from the available pooled revenues after deducting Net Realized Uncollectibles. The term "net balance" represents the required cash flow between the Association and the Exchange Carrier and is determined by deducting the revenues earned and reported by the Exchange Carrier, from the settlement due the Exchange Carrier. If as a result of this calculation the Exchange Carrier has a negative balance, i.e., owes money to the pool, the Association shall render a bill for that amount to the Exchange Carrier. If the Exchange Carrier has a positive net balance, i.e., due money from the pool, the Association shall disburse that amount to the Exchange Carrier, except as otherwise provided for in this Agreement.

B. In computing Exchange Carrier settlements and net balances, the Association shall:

1. Calculate access service settlements and net balances for each Exchange Carrier settling on the basis of nationwide "average schedules" using the formula as approved by the FCC.

2. Develop access service settlements for each Exchange Carrier settling on an individual cost basis (cost company). These settlements and net balances for each cost company shall be computed individually for each access pool in which the Exchange Carrier participates. After first deducting Association expenses in a manner consistent with the FCC's Rules and Regulations and,

secondly, after average schedule companies settlements have been determined for each of the access pools, cost company settlements will then be determined as follows:

a. For non-traffic sensitive "common line" (CL) revenue requirements, a total settlement representing both carrier common line and end user elements is computed which reimburses the Exchange Carrier for its operating expenses and taxes and provides the Exchange Carrier with its share of the remaining CL pooled revenue ("residue") based on its share of the net investment devoted to the common line elements. Subsequent to the calculation of the Exchange Carrier's total common line settlement, individual amounts are calculated for the carrier common line and end user elements by equating the end user revenue requirement to the Exchange Carrier's end user revenues, and then deducting such end user revenue requirement from the total common line settlement to derive the carrier common line settlement. The Exchange Carrier is required to report to the Association end user revenues, provided, however, that if the Exchange Carrier participates in the Carrier Common Line pool but files its own end user tariff, it shall not report either end user revenues or base factor portion investment and expenses when it certifies in writing to the Association that its end user revenues fully recover its base factor revenue requirement (i.e., zero residual). Such certification shall be in the form of a letter to the NECA Pool Administrator from a duly authorized officer of the Exchange Carrier.

b. If the Exchange Carrier participates in the traffic sensitive pool, a settlement is computed which reimburses the Exchange Carrier for its operating expenses and taxes and provides the Exchange Carrier with its share of the remaining pooled revenues ("residue") based on its share of the net investment

devoted to traffic sensitive pooled services.

3. Render invoices to exchange carriers having negative net balances and distribute revenues to exchange carriers having positive net balances according to the schedules published by the Association.

4. Reflect retroactive adjustments to pooling data reported by exchange carriers or the Association in order to true up and/or correct previously computed settlements for up to 24 months following the data month to which the adjustment applies.

SECTION V

TREASURY OPERATIONS

Revenue billing, collections, and disbursements shall occur in accordance with the following and on the dates specified in Attachment I:

A. Billing Statements:

Billing statements shall be rendered to the Exchange Carrier by the Association on the sixth workday of the month following the data month. These statements shall reflect the amount billed the previous month, any collections or billing adjustments, any late payment charges, the current month net balance, and the total amount due the Association. Any collections received by the Association after the third workday will not be reflected on the current billing statement.

B. Collections:

1. Payments due the Association of greater than $50,000 shall be made by wire transfer or electronic funds transfer

directly to the Association's bank account on the fourth from last workday of the month following the data month. If this due date is a local bank holiday, funds shall be wire transferred or electronic funds transferred on the prior workday.

2. Payments of $50,000 or less may be paid via check and mailed in time to arrive at the Association's designated lockbox location no later than the fourth from last workday of the month following the data month.

3. A late payment charge may be assessed by the Association to the Exchange Carrier for a delinquent payment. The late factor shall be the average investment rate (in decimal value) which the Association experienced for borrowing during the period in which the payment was delinquent, applied for the number of days from the payment due date up to and including the date that the payment is actually received by the Association.

Any such late payment penalties collected by the Association shall be used to offset the borrowing costs occasioned by that late payment.

C. Disbursements:

1. Payments due to the Exchange Carrier will be made via electronic funds transfer on the last workday of the month following the data month.

2. If the receiving Exchange Carrier elects to receive payments by check or if electronic funds transfer is not feasible, payment will be made by check mailed two business days in advance of the due date.

SECTION VI

FIDUCIARY POSSESSION OF MONIES

A. All revenues collected and held by the Association, including appreciation and interest from such amounts, are held by the Association in a fiduciary capacity on behalf of the parties having an interest in such monies. Parties having an interest in such monies are the members of the Association, and the Association for its operating costs.

B. All monies received by the Association and investment instruments in which such monies may be invested shall be held in the possession of the Association or in an account in the Association's name. Any such bank account(s) shall be a special purpose account(s) which shall contain only amounts related to pooled revenues and appreciation and interest derived from such amounts and investment instruments representing investments of such amounts, and shall be used only as set forth in the next paragraph.

C. Monies held by the Association shall be used first to pay, on a current monthly basis, the Association's expenses, including all amounts the Association requires to pay in interest and principal on borrowings incurred by the Association in order to effectuate revenue distributions to members and/or to finance Association operations, and second, to distribute revenues to the Exchange Carrier as otherwise provided herein.

SECTION VII

AUDITS AND REVIEWS

The Exchange Carrier and the Association shall maintain adequate records of its transactions relative to the Agreement. Such records shall be subject to examination by the Association to

the extent necessary to verify the accuracy and reasonableness of the revenues and the investment, expenses and taxes underlying the compensation amounts. The examination shall require access to the Exchange Carrier's records, properties and personnel that are reasonably necessary and relevant to the pool(s) participated in by the Exchange Carrier.

The Exchange Carrier shall at its own expense have the right to perform audits and reviews of the Association's records necessary to verify the accuracy and reasonableness of its compensation. The Exchange Carrier shall have access to such records, properties and personnel that are reasonably necessary and relevant to the pool(s) participated in by the Exchange Carrier, provided however, that the Exchange Carrier shall not be permitted access to proprietary information of another member of the Association.

Adequate written notice shall be given to the Exchange Carrier or Association for any on-premises examination of records or amounts. Record retention for all matters applicable to the audits and reviews shall be in conformance with FCC Rules and Regulations.

SECTION VIII

PROPRIETARY INFORMATION

Any information disclosed by the Exchange Carrier to the Association pursuant to this Agreement shall be used by the Association solely for the purposes of administering and otherwise implementing the terms of this Agreement. Information relating to this Agreement shall be held in confidence by the Association and its employees, contractors or agents. Except as provided for in Section VII of this agreement, the Association shall not disseminate or release material furnished by an Exchange Carrier

containing company specific information to other than its employees, contractors or agents, unless otherwise agreed upon in writing. However, nothing in this section shall require the Association to keep confidential any information which is publicly available.

In addition, the Association agrees to give notice to the Exchange Carrier of any demands to disclose or provide any company specific information provided to the Association in conjunction with distribution of pooled access charge revenues under lawful process, unless lawfully restrained from doing so, prior to disclosing or furnishing such information, and agrees to cooperate in seeking reasonable protective arrangements requested by the Exchange Carrier. In addition, the Association may disclose or provide information of an Exchange Carrier required under lawful order by a government agency having requisite jurisdiction; provided that the Association agrees to use its best efforts to obtain protective arrangements satisfactory to the Exchange Carrier owning the information; and provided further that the Exchange Carrier owning the information may not unreasonably withhold approval of the protective arrangements.

SECTION IX

NON-COMPLIANCE

In addition to all other remedies provided for in this Agreement or in law:

1. A failure by the Exchange Carrier to remit any funds due the Association under this Agreement shall result in an assessment of a late payment charge and adjustments to subsequent settlement cash flow to the Exchange Carrier.

2. Failure by the Exchange Carrier to report pooling data as specified in Sections III and IV shall result in the Association

using for settlement computation and revenue distribution purposes, at its option, either 1) the Exchange Carrier's forecast, or 2) data which the Association has estimated on behalf of the Exchange Carrier or 3) actual historical settlement data of the Exchange Carrier. Should the Exchange Carrier fail to report any required monthly pooling data for three (3) data months, net amounts due the Exchange Carrier from the Association may be withheld until all required past due pooling data is reported.

SECTION X

DISPUTE RESOLUTION

While it is the intention of the parties to informally resolve disputes arising herein under, the parties reserve their rights and remedies in law to institute any appropriate proceeding(s) to resolve dispute.

SECTION XI

MISCELLANEOUS PROVISIONS

A. Amendments

Except as required by Order of the FCC, this Agreement may not be modified without the written consent of the Exchange Carrier and the Association Board of Directors.

B. Assignment

This Agreement may not be assigned or transferred by either party without the written consent of the other party, which shall not be unreasonably withheld.

C. Entire Agreement

This Agreement, including the Attachment hereto, constitutes the entire agreement among the parties with respect to the subject matter contained herein.

D. Successors and Assigns

This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective heirs, successors, legal representatives and assigns.

E. Waiver

No waiver of any breach or default of this Agreement by either party hereto shall be considered to be a waiver of any other breach or default of the Agreement.

F. Notices

All notices hereunder shall be deemed to have been duly given when made in writing and delivered in person or deposited in the United States certified mail postage prepaid, return receipt requested. The addresses set forth below for the respective parties shall be the places where notices shall be sent, unless written notice of a change of address is given.

NECA
National Exchange Carrier Association, Inc.
c/o NECA Director - Industry Relations Headquarters
100 So. Jefferson Road
Whippany, NJ 07981

Exchange Carrier
Name: Sandwich Isles Communications, Inc.
Address: Pauahi Tower, Suite 2750, 1001 Bishop Street
Honolulu, HI 96813

G. Severability

If any of the provisions of this Agreement shall be invalid or unenforceable, such invalidity or unenforceability shall not invalidate or render unenforceable the entire Agreement, but rather the entire Agreement shall be construed as if not containing the particular invalid or unenforceable provision or provisions and rights or obligations of the parties shall be construed and enforced accordingly.

H. Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

I. Caption Headings

The headings in this Agreement are for convenience only and shall not be construed to define or limit any of the terms herein or affect the meaning or interpretation of this Agreement.

J. Force Majeure

Neither Party shall be held liable for any delay or failure in performance of any part of this agreement from any cause beyond its control or without its fault or negligence such as acts of God, acts of civil or military authorities, war or unusually severe weather conditions.

K. Prior Agreements

This Agreement supersedes all prior Agreements for the distribution of access revenues.

SECTION XII

TERMINATION

This Agreement shall be effective for the next access period, and shall renew automatically thereafter for each subsequent access period unless either party to the Agreement provides the other with written notification of its intention to terminate the Agreement by not later than 90 days prior to the expiration of the access period then in effect. As used herein, an access period shall coincide with the period in which an Exchange Carrier may enter or exit association common tariff arrangements in accordance with Section 69.3 of the FCC's Rules.

Notwithstanding termination of this Agreement, the Exchange Carrier and the Association shall continue to be bound by the terms of this Agreement for all adjustments relative to the Revenue Settlements Process as specified in Section IV.

IN WITNESS WHEREOF, the parties have caused the Agreement to be executed in duplicate on their behalf this _____ day of April 10, 1998.

Company: National Exchange Carrier Association, Inc.

By: _____

Title: Vice President - Industry Relations SW

Company: Sandwich Isles Telecommunications, Inc.

By: _____

Robert K.U. Kihune

Title: Vice President