

## MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding made and entered into this 10<sup>th</sup> day of November, 2010, by and between BVU Authority, a political subdivision of the Commonwealth of Virginia, (hereinafter "BVU") and MI Connection Communications System, a North Carolina interlocal agency, ("MI Connection") (collectively the "Parties");

### THE PREMISES

1. BVU and MI Connection entered into an Operating Agreement dated August 16, 2007, as further amended ("Operating Agreement") in respect of the operation of the MI Connection communications system.
2. The Parties agree that it is in their best interests to modify their respective rights and responsibilities under the Operating Agreement and/or to enter into replacement agreements, and to conduct an orderly transition in a manner and extent to be mutually agreed after MI Connection has completed an evaluation of alternative operational and management structures which have a reduced operational role for BVU.
3. MI Connection and BVU intend to reach agreement on a transition from BVU managing and operating MI Connections system to MI operating that system. This nonbinding memorandum sets forth the details of the parties' intentions for such an agreement. This Memorandum of Understanding does not change any existing rights and responsibilities under the Operating Agreement.

## THE UNDERSTANDING

1. *Transition Date:* The date for the complete transition to the new operational arrangements and modified and/or replacement contractual agreements is July 1, 2011. The transition may be accomplished before or after that date and in phases as mutually agreed by the Parties.
2. *Access to Information:* BVU agrees to provide summaries of information contained in its books and records in a timely fashion upon written reasonable request by e-mail from MI Connection. BVU agrees to grant MI Connection and its agents and consultants full access to any and all operational information, books and records related to MI Connection's operations that are in the possession of BVU and its employees, consultants and agents. In addition, MI Connection acknowledges that all records are subject to existing nondisclosure agreements and cannot be released to any third party without BVU's written permission. Execution of this agreement will be MI Connection's agreement on behalf of itself and its authorized agents to be bound by those nondisclosure agreements.
3. *Cooperation:* BVU agrees to cooperate fully and respond orally to requests for information about the MI Connection operations where such information is not otherwise available in written form. MI Connection agrees to give reasonable notice, and will not interfere with other BVU operations and responsibilities.
4. *Confidentiality:* BVU and MI Connection agree not to make any public statements about the transition or possible changes to the contractual relationship between the Parties except with the prior consent of both Parties. Such consent will be expressed in writing. If there is insufficient time to execute a written consent prior to the statement, the Parties

will nevertheless agree in advance on the statement and then evidence their mutual consent in writing after the statement.

5. *Minimal Disruption:* The Parties agree to cooperate in good faith and to use their best efforts to make the transition to an alternative management and operational structure for MI Connection with minimal disruption to customers, employees, and day-to-day operations.
6. *Expenses:* Each Party will be responsible for its respective expenses incurred in planning and executing those steps necessary to carry out the transition to an alternative management and operational structure for MI Connection.
7. *Good Faith Negotiations:* The Parties agree to negotiate modifications to the Operating Agreement and/or enter into replacement agreements in good faith.<sup>1</sup>
8. *Anticipated Restructured Relationship:* The Parties anticipate that any modifications to the Operating Agreement and/or replacement agreements will be consistent with the following principles. This Memorandum of Understanding does not itself change any existing rights and responsibilities under the Operating Agreement.
  - a. BVU's waiver of any rights to the \$1,500,000.00 exit fee provided for in the August 16, 2007 Operation Agreement;
  - b. BVU's waiver of any claim to a Management Fee after July 1, 2011, except as enumerated below;
  - c. A substitution of obligations of BVU obligations as set forth herein;

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<sup>1</sup> It is understood by the Parties that such negotiations may include, but not necessarily be limited to, such things as the contracts for VoIP telephone switching services and written performance standards and written performance measurements for the services to be provided by BVU.



- d. A mutual waiver, release and discharge all claims, as of the date of execution of the replacement agreement.
- e. BVU, after July 1, 2011, will only provide the following third party services, all of which will be performance-based:
  - 1) Network Operations Call Center Services as currently provided by BVU, to include all technical call services, but expressly providing no dispatch and provisioning services, which will be the sole responsibility of MI Connection.
  - 2) Customer Service Call Center service as now provided by BVU.
  - 3) Billing services, but not including collections of accounts receivable; this will be the sole responsibility of MI Connection. BVU's responsibility will also not include processing any payments made on MI Connection's billing.
  - 4) Network Operations Call Center Services and customer services in accordance with a Service Level Agreement to be negotiated.
- f. The annual fixed fee for said third party services will be:

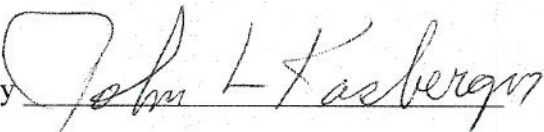
A. Network Operations Center Services	\$215,000.00
B. Customer Service Center Services	\$60,000.00
C. Billing	\$25,000.00

All costs incurred providing these three services will be passed through to MI Connection, as is done currently. MI Connection can impact those costs by varying the level of Network and Customer Services requested in writing.
- g. The term of this third party service agreement will be three (3) years, commencing 7/01/2011.

- h. All employees of BVU working on the MI Connection system in North Carolina will become the employees of MI effective July 1, 2011.
9. *Provision of VoIP Telephone services:* BVU will continue to provide VoIP telephone switching services under the separate contract for said services between the parties, the term of which contract ends 8/12/2012.
10. *Headend:* BVU will sell back to MI Connection its headend located in Mooresville, NC for the sum of \$1.00 as provided for in the sale to BVU on or before 7/01/2011. MI Connection will be responsible for arranging its programming by the end of the day, June 30, 2011.
11. *MI Connection Transition Obligations:* MI Connection will be responsible for all transition requirements necessary as part of assuming management of its system, except for the third party services that are BVU obligations, which will be accomplished no later than end of day June 30, 2011.

MI Connection Communications System

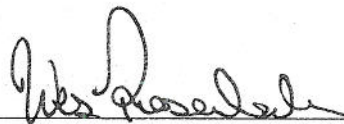
By



John Kasberger, Chairman of the Board

BVU Authority

By



Wes Rosenbalm, President and CEO