Source: Vernita Hilliard @ So Telcom June '00

SERVICES AGREEMENT BETWEEN SOUTHERN COMPANY SERVICES, INC. AND SOUTHERN TELECOM, INC.

THIS AGREEMENT, made and entered into as of February 1, 1999 by and between **Southern Company Services, Inc.**, a corporation organized under the laws of the State of Alabama, party of the first part (hereinafter sometimes referred to as "**Service Company**"), and **Southern Telecom, Inc.**, a corporation organized under the laws of the State of Delaware, party of the second part (hereinafter sometimes referred to as "**Client Company**"),

WITNESSETH:

WHEREAS, Service Company and Client Company are both direct subsidiaries of the Southern Company ("**Southern**") and, together with Southern's operating subsidiaries ("**Client Operating Companies**") and Southern form the Southern Electric System; and

WHEREAS, Service Company is organized, staffed and equipped and is authorized by the Securities and Exchange Commission (the "**Commission**") as a subsidiary service company under Section 13 of the Public Utility Holding Company Act of 1935 (the "**Act**") to render to Client Operating Companies, Southern and Client Company (hereinafter sometimes collectively referred to as "**Client Companies**") services as herein provided; and

WHEREAS, in the performance of past and future services for the Client Companies, Service Company has acquired and will acquire certain properties and other resources; and

WHEREAS, Client Company is authorized under the Act by order of the Commission dated July 17, 1981 to utilize those services, properties and resources of Service Company, as well as those provided by the Client Operating Companies, to sell management, technical and training services and expertise to non-affiliate companies, agencies and other business concerns, including domestic and foreign governmental agencies, public utilities, industrial concerns, or entities owning, operating or performing services for any of them; and

WHEREAS, economies and increased efficiencies will result from the performance by Service Company of services for Client Company and the provision of certain property and resources to Client Company as herein provided; and

WHEREAS, subject to the terms and conditions herein described, Service Company is willing, upon request by Client Company, to render such services and provide such property and resources to Client Company at cost, determined in accordance with applicable rules, regulations and orders of the Commission under the Act;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements herein, the parties hereto hereby agree as follows:

1. Definitions

As used hereinafter, the following terms, in addition to those elsewhere defined in this Agreement, shall have the following meanings unless the context otherwise requires:

A. "**Services**" shall mean the services described in Articles 3, 4 and 5 hereof.

B. "**Basic Services**" shall mean the Services described in Articles 3 and 5, but only insofar as such Services, when rendered to Client Company, relate to the internal management of Client Company's operations and systems.

C. "**Extra Services**" shall mean all Services other than Basic Services.

D. "**Non-Affiliate**" means any corporation, company, agency, government, business, entity or person other than Southern, a direct or indirect subsidiary of Southern, or a person employed by Southern or any of such subsidiaries.

E. "**Intellectual Property**" means any process, program or technique which is protected by the copyright, patent or trademark laws, or as a trade secret, and which has been specifically and knowingly incorporated into, exhibited in, or reduced to a tangible writing, drawing, manual, computer program, product or similar manifestation or thing.

2. Agreement to Furnish Service

A. Service Company agrees to furnish to Client Company upon the terms and conditions hereinafter set forth such of the Basic Services requested by Client Company, at such times, for such periods and in such manner as Client Company may from time to time require. Service Company will, as and to the extent required for Client Company, keep itself and its personnel available and competent to render to Client Company the Basic Services on the same basis as such services are provided the other Southern Electric System companies.

B. Upon its receipt of Client Company's work order or other request therefor, Service Company will, if it has or can have available the personnel and resources needed to fill the work order or request, furnish to Client Company upon the terms and conditions hereinafter set forth such of the Extra Services, at such times, for such periods and in such manner as Client Company may from time to time request; provided, however, that determination of whether Service Company has the available personnel and resources to perform in accordance with the work order or request will be entirely within the discretion of Service Company, and Service Company may at its option elect not to perform any requested Extra Service, except that, once having agreed to perform pursuant to a work order or request, Service Company cannot withdraw or depart from such performance without the consent of Client Company.

C. The provision of Services by Service Company pursuant to this Agreement shall in all cases and notwithstanding anything herein contained to the contrary be subject to any limitations contained in authorizations, rules or regulations of those governmental agencies, if any, having jurisdiction over Service Company, Client Company, or such provision of Services.

3. Description of Services

The Services to be provided by Service Company hereunder shall include the following:

A. General Executive and Advisory Services. Advise and assist the officers and employees of Client Company in connection with various phases of its business and operations, including particularly but not exclusively, those phases that involve coordination of planning or operation between Client Company and other entities.

B. Purchasing. Render purchasing and group purchasing services to Client Company, coordinate group purchasing, and supply expediting services. All requests for bids shall be made by and purchases confirmed in the name of Client Company (or its customer, if requested by Client Company).

C. Accounting and Statistical. Perform for Client Company all such bookkeeping, accounting, and auditing services and install such internal accounting and auditing procedures as are required by Client Company to maintain its books and records properly and account for and safeguard its operations and properties; advise and assist Client Company in connection with the installation of accounting systems and similar problems, requirements of regulatory bodies with respect to accounting, studies of accounting procedures and practices to improve efficiency, book entries resulting from unusual financial transactions, internal audits, employment of independent auditors, preparation and analyses of financial and operating reports and other statistical matters relating to Client Company or its customers, preparation of annual reports to stockholders, regulatory commissions insurance companies and others, standardization of accounting and statistical forms in the interest of economy, and other accounting and statistical matters.

D. Finance and Treasury. Advise and assist Client Company on financing matters, including short and long range financial planning, determination of types and times of sales of securities, negotiation and structuring of financing arrangements and the provision of credit from banks, and all treasury matters, including banking and investment of surplus funds.

E. Taxes. Advise and assist Client Company in connection with tax matters, including preparation of Federal, State or Foreign income and other tax returns and of protests, claims and briefs where necessary, tax accruals, and other matters in connection with any applicable taxes, governmental fees or assessments.

F. Insurance and Pensions. Advise and assist Client Company in connection with insurance, bonding and pension matters, including contacts with insurers, trustees and actuaries and the placing of blanket and group policies covering Client Company and/or other Client Companies, and other insurance and bonding problems as required.

G. Corporate. Advise and assist Client Company in connection with corporate affairs, including assistance and suggestions in connection with the preparation of petitions and applications for the issuance of securities, contracts for the sale or underwriting of securities, preparation of schedules of steps required in connection with major financial and other corporate matters and the consummation thereof, and the preparation of various documents required in connection therewith; maintenance of minutes of directors' and stockholders' meetings and other proceedings and of other related corporate records; and also arrangements for stockholders' meetings, including notices, proxies and records thereof, and for other types of meetings relating to its securities.

H. Budgeting. Advise and assist Client Company in matters involving the preparation and development of construction and operating budgets, cash and cost forecasts, and budgetary controls.

I. Business Promotion and Public Relations. Advise and assist Client Company in the development of marketing and sales programs, in the preparation and use of advertising and sales materials, and in the determination and carrying out of promotional programs.

J. Employee Services. Furnish Client Company with advisory and administrative services and programs in connection with employee and employee relations matters, including matters relative to employees loaned under Article 4 hereof, payroll, recruitment, employee placement, training, compensation, safety, labor relations and health, welfare and employee benefits.

K. Systems and Procedures. Advise and assist Client Company in the formation of good operating practices and methods of procedure, the standardization of forms, the purchase, rental and use of mechanical and electronic data processing, computing and communications equipment, in conducting economic research and planning and in the development of special economic studies.

L. Access to and Use of Facilities. Subject to those conditions on availability set forth in Article 53, make available to Client Company and/or its customers access to, use of, or rights in all facilities, products, processes, techniques, computer hardware and software, technical information, training aids and properties, Intellectual Property, vehicles, equipment, machines and other property, whether owned, leased or licensed by, or otherwise to, Service Company.

M. Training. Assist Client Company in training personnel of Client Company or of Non-Affiliates; develop and make available training procedures, materials and facilities, and provide instructors.

N. General. Make services available in the areas of construction planning and supervision, design, management programs, quality assurance, licensing matters, research and development, and communications systems and procedures.

O. Other Services. Render advice and assistance in connection with such other matters as Client Company may request and Service Company may be able to perform with respect to Client Company's business and operations.

4. Provision of Personnel

Where specifically requested by Client Company, Service Company may loan its employees to Client Company. In that event, such loaned employees will be under the sole supervision and control of Client Company for such period or periods of time as are necessary to complete the work to be performed by such employees. Such employees may be withdrawn by Service Company from tasks assigned by Client Company only with the consent of Client Company, which consent will not be unreasonably withheld in the event of a demonstrable emergency requiring the use of such employees in another capacity for Service Company. Client Company will be responsible for the actions and activities of such employees while engaged in the performance of the work to the same degree as though such persons were employees of Client Company. However, as part of Extra Services, Service Company, during periods when such employees are loaned to Client Company, will continue to provide to such employees those same payroll, pension, savings, tax withholding, unemployment, bookkeeping and other personnel support services then being utilized by Service Company in connection with compensating and benefiting such employees.

5. Exchange of Intellectual Property

A. Should Client Company in the course of its business develop Intellectual Property, it will make such Intellectual Property available for utilization by Service Company without charge (except the actual expenses incurred by Client Company in connection with making such Intellectual Property so available), provided, however, that such availability shall be dependent upon and subject to any contractual commitments of Client Company to Non-Affiliates, applicable laws and regulations, and the legal rights and entitlements of others.

B. As part of the Services, Service company will make available to Client Company for use or for resale or licensing to Non-Affiliates all Intellectual Property heretofore or hereafter developed or obtained by Service Company without charge (except for the actual expenses incurred in making the same available, and except as otherwise provided in Article 8 below), provided, however, that such availability shall be dependent and subject to any contractual commitments of Service Company to Non-Affiliates, applicable laws and regulations, and the legal rights and entitlements of others.

6. Compensation of Service Company

As compensation for Services actually requested by Client Company and rendered to it by Service Company, Client Company hereby agrees to pay to Service Company the cost of such Services (except as described in Article 53), computed in accordance with applicable rules and regulations (including Rules 90 and 91 under the Act) and accounting standards. Bills will be rendered for the amount of such cost on or before the 10th day of the succeeding month and will be payable on or before the 20th day of such month. Cost of Services to be paid by Client Company shall include direct charges and Client Company's pro rata share of certain of Service Company's costs, determined as set forth below:

A. Direct Charges. To the extent that the costs incurred by Service Company in connection with Services rendered by it to Client Company can be identified and related to a particular transaction, direct charges will be made by Service Company to Client Company.

B. Prorated Charges. Such costs incurred by Service Company in connection with rendering Services to Client Company as cannot be identified and related to a particular transaction will be charged to Client Company in a fair and equitable manner in accordance with the Service Company's then effective applicable methods of allocation filed with the Commission.

7. Work Orders

The Services will be performed in accordance with work orders or requests issued or made by or on behalf of Client Company and accepted by Service Company and all Services will be assigned an applicable work order number to enable specific work to be properly allocated by project or other appropriate basis. Work Orders shall be as specific as practicable in defining the Services requested to be performed. Client Company shall have the right from time to time to amend, alter or rescind any work order, provided that (i) any such amendment or alteration which results in a material change in the scope of the work to be performed or equipment to be provided is agreed to by Service Company; (ii) the costs for the services covered by the work order will include any expense incurred by Service Company as a direct result of such amendment, alteration or rescission of the work order; and (iii) no amendment, alteration or rescission of a work order will release Client Company from liability for all costs already incurred or contracted for by Service Company pursuant to the work order, regardless of whether the work associated with such costs has been completed.

8. Disposition of Intellectual Property

In the event Client Company sells or licenses to Non-Affiliates Intellectual Property heretofore or hereafter developed by Service Company for one or more of the Client Operating Companies, and as a result of such sale or license such Intellectual Property is no longer available for use by Service Company on behalf of such Client Operating Companies, Client Company shall receive, as and when received from such Non-Affiliates, a commission of thirty percent (30%) of all net profits (after deducting marketing and any other applicable expenses

incurred by Client Company) earned from such sale or licensing, and Service Company shall receive seventy percent (70%) of such net profits.

9. Limitation of Liability and Indemnification

A. In performing the Services hereunder (except to the extent such Services are being performed by employees loaned to and under the supervision of Client Company), Service Company will exercise due care to assure that the Services are performed in a workmanlike manner, meet the standards and specifications set forth in the applicable work order or request with respect to such Services, and comply with applicable standards of law and regulation. However, failure to meet these obligations shall in no event subject Service Company to any claims or liabilities other than to reperform the work at cost such that it fully complies with the work order, request or standard, as the case may be. Service Company makes no other warranty with respect to its performance of the Services, and Client Company agrees to accept such Services without further warranty of any nature. The Client Company shall and does hereby indemnify and agree to save harmless and defend Service Company from the payment of any sum or sums of money on account of, or resulting from, claims or suits growing out of (i) injuries to or the death of any person, (ii) damage to or loss of any property and/or (iii) other damages in any way attributable to or arising out of the performance and prosecution of any project or work performed by or on behalf of Client Company for Non-Affiliates, whether or not the same results or allegedly results from the claimed or actual negligence or breach of warranty of, or willful conduct by, Client Company or of its employees, agents or subcontractors or any combination thereof. Further, Client Company shall and does hereby indemnify and agree to save harmless and defend Service Company (a) from any and all liens, garnishments, attachments, claims, suits, costs, attorneys' fees, cost of investigation and of defense resulting from, incurred in connection with, or relating to any such claims, (b) from the payment of any such sum or sums of money, and (c) from the payment of any penalties, fines, damages, suits or claims (and any liens or attachments asserted in connection therewith) arising out of (i) any alleged or actual violation of law, court order, or governmental agency rule or regulation commited by or existing with respect to Client Company or its employees, agents or subcontractors (except Service Company when not performing Services hereunder), or (ii) any alleged or actual breaches of contract by Client Company, or (iii) any claims made by or on account of any employee, agent or subcontractor (except Service Company when not performing Services hereunder or an employee or agent of Service Company where such claim does not arise specifically in connection with the performance of Services hereunder) of Client Company, or for (iv) services or labor performed, materials, provisions or supplies furnished or board of men which have been purchased or allegedly contracted for by or on behalf of the Client Company, its employees, agents or subcontractors (except Service Company when not performing Services hereunder).

B. The Service Company shall within five business days after it receives notice of any claims, action, damages or liability against which it will expect to be indemnified pursuant to Article 9A, notify Client Company of such claims, actions, damages or liabilities. Thereafter, Client Company may at its own expense, upon notice to Service Company, defend or participate in the defense of such action or claim or any negotiation for settlement of such action or claim, provided that unless Client Company proceeds promptly and in good faith to pay or defend such action or claim, then Service Company shall have the right (but not the obligation), in good faith, upon ten days' notice to Client Company, to pay, settle, compromise or proceed to defend any such action or claim without the further participation by Client Company. Client Company will immediately pay (or reimburse Service Company, as the case may be) any payments, settlements, compromises, judgments, costs or expenses made or incurred by Service Company in or resulting from the pursuit by Service Company of such right. If any judgment is rendered against Service Company in any action defended by Client Company or from which Service Company is otherwise entitled to indemnification under Article 9A., or any lien attaches to the assets of Service Company in connection therewith, Client Company immediately upon such entry or attachment shall pay the judgment in full or discharge any such lien unless, at its expense and direction, appeal shall be taken under which the execution of the judgment or satisfaction of the lien is stayed. If and when a final and non-appealable judgment is rendered against Service Company in any such action, Client Company shall forthwith pay such judgment or discharge such lien prior to the time that Service Company would be legally held to do so.

C. Client Company shall maintain at all times adequate levels of insurance to discharge financially its obligations under this Article 9.

10. Miscellaneous

This Agreement shall be binding upon the successors and assigns of the parties hereto, provided that Service Company shall not be entitled to assign or subcontract out any of its obligations under this Agreement or under any purchase order or work order issued hereunder without the prior written approval of Client Company. This Agreement may not be modified or amended in any respect except in writing executed by the parties hereto. This Agreement shall be construed and enforced under and in accordance with the laws of the State of Alabama. This Agreement may be executed in counterparts, each one of which when fully executed shall be deemed to have the same dignity, force and effect as if the original. No provision of this Agreement shall be deemed waived nor breach of this Agreement consented to unless such waiver or consent is set forth in writing and executed by the party hereto making such waiver or consent.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed in their respective corporate names by their respective Presidents or one of their respective Vice-Presidents and their respective seals to be hereunto affixed and attested by their respective Secretaries or one of their respective Assistant Secretaries as of the day and year first above written.

SOUTHERN COMPANY SERVICES, INC
(Service Company)

ATTEST

By: _____
Paul J. De Nicola
President and Chief Executive Officer

Secretary

Date Executed: 2-1-99

SOUTHERN TELECOM, INC.
(Client Company)

ATTEST

By: _____
Bertram E. Sears Jr.
President

Secretary

Date Executed: 12/21/98