

Verizon New England, Inc. ("Verizon")

Amended Application for Cable Television License

Town of Acton, Massachusetts (the "Town")

Introduction

This amended application has been organized to follow the format set forth in the Town's Issuing Authority Report ("IAR") dated June 28, 2006. Some of the questions in the IAR have been answered by reference to Verizon's proposed cable television license ("Proposed License"), which is attached hereto as Exhibit A. Verizon's responses are set forth in **bold** type.

Verizon's foregoing response to the Town's IAR does not represent agreement with any conclusory statements or interpretation of federal or state law as set forth in the IAR or as may be set forth on behalf of the Town by its consultant. To the extent that any statements or demands in this IAR are in conflict with federal or state law, Verizon reserves the right to raise all arguments and defenses and utilize any necessary recourse to protect its interests with regard to these issues.

Verizon's Responses to the Town's IAR

I. INTRODUCTION

No questions or issues were raised in this section of the IAR.

II. PROCEDURAL REQUIREMENTS FOR AMENDED APPLICATION

A. Procedural Requirements - General

1. The deadline for submission of the Amended Application is set as June 28, 2006 at 4:30 p.m. (The Board of Selectmen reserves the right, in its sole discretion, to extend this deadline if it deems such extension to be in the best interest of the Town of Acton.)
2. One (1) original and three (3) copies of the Amended Application must be submitted to the Board of Selectmen, Acton Town Hall, 472 Main Street, Acton, Massachusetts 01720
3. Any questions regarding this Issuing Authority Report and/or the completion/ submission of an Amended Application, including, but not limited to questions regarding procedures or interpretation, shall be posed to Frits Riep, Chairman of the Cable Advisory Committee, Acton Town Hall, 472 Main Street, Acton, Massachusetts 01720 with a copy to Don Johnson, Town Manager, Acton Town Hall, 472 Main Street, Acton,

Massachusetts 01720, Acton Town Hall, 472 Main Street, Acton, Massachusetts 01720 (978-264-9612). Questions posed by faxed correspondence and/or telephone calls must be followed-up in writing by mailing or delivery of said inquiry to the above referenced persons, in order to be deemed a formal inquiry. The submission of a question(s) shall not extend the deadline for submission of the Amended Application, absent an extension of the deadline, as referenced above, The applicant, by submitting its Amended Application in response to this Issuing Authority Report, shall have evidenced the fact that it has no unanswered questions concerning this Report and its specifications and requirements, and shall have no basis for modifying or withdrawing its Amended Application on the basis of misunderstanding.

4. The Board of Selectmen reserves, to the fullest extent allowed by applicable law, the right to waive any informalities and/or technicalities in its consideration of the Amended Application.

The Town extended the deadline for receipt of Verizon's amended application until July 26, 2006 (confirmed by email dated July 6, 2006, from Frits Riep (Chair of the Acton Cable Advisory Committee) to Carol Baribeau (Regional Director of Public Affairs for Verizon).

No other questions or issues were raised in this Section of the IAR.

B. Submission Requirements

1. Proposed Final License - In addition to providing any responses required by this Issuing Authority Report or which the Applicant deems necessary and/or appropriate, the Applicant should submit as part of, or together with, its Amended Application a proposed and complete Final License, which reflects in detail the Amended Application submitted by the Applicant.

Verizon's Proposed Final License is attached hereto as Exhibit A.

2. Financial Information - The Applicant should submit the following financial information with respect to each of the following: (i) the Acton franchise area; (ii) the system/general ledger which includes the Acton franchise area; and (iii) Verizon of New England Inc
 - a) Full Financial Statements, including all of the following for each of the last five (5) years:
 - i. Income statements
 - ii. Balance sheets

- iii. Cash flow statements
 - iv. Any footnotes that are or may be necessary to understand the above
 - b) Financial projections for the next fifteen (15) years, including:
 - i. Income statements
 - ii. Balance sheets
 - iii. Cash flow statements
 - iv. All footnotes indicating assumptions made, including projected operating statistics,
- 3. Projected Operating Statistics - The Applicant should submit its projected operating statistics for each of the fifteen (15) years of a license term in the Town of Acton, including:
 - a) Number of miles of distribution plant
 - b) Number of homes passed
 - c) Number of cable subscribers by type.
- 4. Anticipated Operating Projections - The Applicant should submit its anticipated Operating Projections for each of the fifteen (15) years of a license term in the Town of Acton, including:
 - a) Detailed revenue by type, including:
 - i. Subscriber Revenues
 - (a) Installation Income
 - (b) Equipment Revenue
 - (c) Basic/Other Tier Subscriber Revenue
 - (d) Premium Channel Revenue
 - (e) Pay Per View Revenue
 - (f) On Demand/Interactive Cable Revenue
 - (g) Other Subscriber Revenue - including all revenue attributable to cable operations not included above.
 - ii. Non Subscriber Revenues
 - (a) Advertising Income
 - (b) Home shopping Revenue
 - (c) Other Income - all other income including income attributable to leasing or sale of time or facilities,

- b) Detailed expenses by type, including:
 - i. Direct Operating Expenses
 - (a) Programming Expenses
 - (b) Net Bad Debt and Collection Expenses
 - (c) Salaries and Benefits
 - (d) Repairs and Maintenance
 - (e) Light, Heat, Power
 - (f) Pole and Duct Rental
 - (g) Administration - Office and Billing
 - (h) Marketing
 - (i) Local Origination
 - (j) Other - All other direct operating costs not included above.
 - ii. Depreciation and Amortization
 - (a) Depreciation
 - (b) Amortization
- c) Capital Expenditures

The Applicant is encouraged to submit any other financial information reflecting upon the financial condition and/or financial qualifications of each of the above referenced three (3) levels (i) the Acton franchise area; (ii) the system/general ledger which includes the Acton franchise area; and (iii) Verizon of New England, Inc.

Verizon's Form 100 included the financial information required by applicable state cable regulations. Verizon has attached hereto as Exhibit B a copy of Verizon's financial statements for fiscal years 2005 and 2004.

III. SPECIFICATIONS FOR CABLE LICENSE (CABLE RELATED COMMUNITY NEEDS AND INTERESTS)

A. Comcast's Current Cable Television Renewal License — Incorporated By Reference

Comcast's current Cable Television Renewal License, originally granted to Cablevision of Massachusetts, Inc., with an effective date of June 29, 2000 and an expiration date of June 28, 2010, is incorporated by reference herein. The Applicant should carefully review this Renewal License prior

to responding to each and every section of this Issuing Authority Report. (The Town will provide a copy of the current Cable Television Renewal License to the Applicant, if requested ¹.)

At the time of the effective date of the Cable Television Renewal License with Cablevision, the Town of Acton had approximately 5,258 cable subscribers. At the current time, Acton has approximately 6,098 cable subscribers. (Based on the statistics of the Massachusetts Cable Television Division.) The increased subscriber base should be one of the factors considered with respect to the amount of the capital payments made by the Applicant/Licensee.

B. License Term

1. The Town preference is also for an initial Final License of fifteen (15) years. The terms of the License must meet the Town's cable related community needs and interests. The below referenced financial support requirements assumes a 15-year license term.

Verizon proposes a fifteen (15) year term, consistent with Section 3(d) of MGL Chapter 166A. Verizon looks forward to discussing the Town's cable related community needs and interests in greater detail during negotiations.

2. It is the Town's position that the License make no provision for the Licensee to terminate or surrender the Final License or otherwise cease providing cable service in the Town for any reason, including, but not limited to a business determination by the Licensee or a change in applicable law or regulation². If the Applicant includes in its Amended Application a provision it must be limited to termination based on a financial decision that the Licensee shall completely cease providing cable service and further said provision shall preclude the Licensee from providing cable service or any other video programming by any other means, including, but not limited to a license or other approval granted by the State or Federal Government. The Applicant shall provide a detailed explanation of the reason for the inclusion of such provision and a specific listing and description of when and how it could be used by the Applicant as a Licensee. Nothing herein should be interpreted to mean that any such termination provision will be acceptable to the Issuing Authority.

Verizon will discuss this issue in more detail during license negotiations. We note that the incumbent cable provider's license in the Town contains the provision "unless sooner

¹ A scanned copy in Portable Document Format is available from the Town document server via the URL <http://tinyurl.com/e57dq>

² For purposes of this Issuing Authority Report, the term law shall include federal, state, and local laws and regulations.

terminated as provided herein or surrendered.” (See Section 2.2 of the Cable Television Renewal License between Comcast of Massachusetts, Inc. and the Town dated December 17, 2004 (the “Comcast License”). See Proposed License, § 2.3.

C. Preemption By Federal and/or State Law - Compliance With License Terms

The Licensee must comply with all terms and condition of a Final License (including all franchise/license fee payments, Institutional Network payments and requirements, Public, Educational, and Government (PEG) access operating payments, and capital. facilities and equipment payments by the Licensee to the Town and/or its designee(s)), regardless of any change in Federal and/or State law.

Verizon agrees that it will comply with all terms and conditions of a Final License (including all franchise/license fee, Institutional Network payments and requirements, PEG Access Operating Payments, and capital, facilities and equipment payments by the Licensee to the Town and/or its designee(s)), regardless of any change in federal and/or state law, except to the extent preempted by said law.

D. Grant and Construction of License

1. Cable Television System/Cable Service

The License, if granted by the Town, through its Issuing Authority, will be for the construction, installation, operation and maintenance of a Cable System for the provision of Cable Service, as those terms are defined by applicable Federal law:

Cable Service - Section 602 of the Cable Act (47 U.S.C. § 522(6))

(A) The one-way transmission to Subscribers of (i) Video Programming, or (ii) other programming service, and (B) subscriber interaction, if any, which is required for the selection or use of such Video Programming or other programming service.

Cable System - Section 602 of the Cable Act (47 U.S.C. § 522(6))

A facility, consisting of a set of closed transmission paths and associated signal generation, reception, and control equipment that is designed to provide Cable Service which includes Video Programming and which is provided to multiple Subscribers within a community, but such term does not include (A) a facility that serves only to retransmit the television signals of 1 or more television broadcast stations; (B) a facility that serves subscribers without using any public right-of-way; (C) a facility of a

common carrier which is subject, in whole or in part, to the provisions of subchapter II of this chapter, except that such facility shall be considered a cable system (other than for purposes of section 541(c) of this title) to the extent such facility is used in the transmission of video programming directly to subscribers, unless the extent of such use is solely to provide interactive on-demand services; (D) an open video system that complies with section 573 of this title; or (E) any facilities of any electric utility used solely for operating its electric utility system;

The Amended Application should not attempt to redefine or “clarify” either of the above referenced federally defined terms, or any other terms defined by the Cable Act. The use of terms different from the federal definitions would create uncertainty and confusion, To the extent these terms are the subject of interpretation by an administrative agency, such as the FCC, or by a court of law, the Licensee should not be able to argue that the terms as used in the Acton License have a different meaning than the federally defined terms interpreted by said administrative agency or court.

The construction of Verizon’s FTTP network in the Town is underway. Verizon is a common carrier as defined in Title II of the Communications Act. Federal and state law gives Verizon the legal authority to access the public rights-of-way in the Town. MGL Chapter 166, §21 grants Verizon the right to place its lines upon, along, under and across the public ways in Massachusetts; and MGL Chapter 166, §22 provides that municipal permission is not required for Verizon to renew, repair or replace wires, cables, or other facilities, or for making house connections or connections between existing conduits and poles, once they are erected.

Once Verizon’s FTTP network is installed, Verizon will have the capability of providing cable services, as well as enhanced telecommunications and high-speed internet services, in the Town. Verizon is seeking a license to provide cable services in the Town. The license, and the Town’s regulatory authority under Title VI of the Communications Act and MGL Chapter 166A, does not extend to the construction, installation, operation of maintenance of the FTTP network. The cable system definition in Verizon’s Proposed License delineates between the aspects of Verizon’s FTTP network which are a part of the cable system, and are therefore subject to the terms of a cable license, and the aspects of the network which are utilized to provide telecommunications and information services and are not lawfully subject to regulation by a cable license.

See Proposed License, §§ 1.5 and 1.6.

2. ***Verizon’s Cable System and Cable Service Is Not Exempt From Cable License Provisions Or From Federal, State Or Local Laws and Regulations Because Its, Infrastructure Is Also Used For Title II Telecommunications Services Or For Information Services.***

The Final License should not, directly or indirectly, exempt Verizon of New England Inc.'s cable system from cable license provisions, nor from federal, state or local law because Verizon's infrastructure is also used for Title II telecommunication services or for information services. Nowhere in the Federal Cable Act does it state that a mixed-use facility is exempt from cable regulations once that system is used to provide cable service. To the extent that the Applicant's Amended Application claims such an exemption(s) for its infrastructure, said exemption should be as narrow as possible, and the Applicant should explain its position in detail, including what, if any, federal, state and/or local laws or regulations govern its infrastructure and how its infrastructure is so governed.

Verizon's proposed license does not exempt Verizon's cable system from "cable license provisions" or applicable state, federal or local law. The license does, however, specifically delineate between the aspects of Verizon's FTTP network which are a part of the cable system, and are therefore subject to the terms of a cable license, and the aspects of the network which are utilized to provide telecommunications and information services and are therefore not lawfully subject to regulation by a cable license.

3. *Non-exclusive License*

The License shall be non-exclusive, as required by applicable federal and state law.

Verizon acknowledges that the cable license granted by the Town will be non-exclusive, as required by applicable federal and state law.

4. *Level Playing Field*

It is the position of the Town that the legal rights of a licensee, if any, with respect to competition from other multi-channel video providers, including other cable licensees, is governed by the Cable Act, specifically by 47 U.S.C. §545 (Section 625 of the Cable Act) regarding modification of franchise obligations resulting from "commercial impracticability".

Verizon will not seek to include a level playing field provision in its Final License with the Town. Verizon agrees that nothing in the License can be construed to limit the scope or applicability of 47 U.S.C. Section 545. (See Proposed License, §2.7.2)

5. *License Guarantee By Ultimate Corporate Parent*

Absent the submission of adequate evidence of the financial capability of the Applicant (Verizon of New England Inc.) to provide the services, facilities and equipment set forth in its application and as required by the Town, the obligations contained in a License must be guaranteed by the ultimate parent of the Applicant - Verizon Communications Inc.

Verizon has the necessary legal, technical and financial qualifications to meet the obligations of a cable license granted by the Town. Please see the financial statements attached hereto as Exhibit B.

6. **No Waiver**

The failure of the Town (or its Issuing Authority) or the Licensee on one or more occasions to exercise a right or to require compliance or performance under the License shall not be deemed to constitute a waiver of such right or a waiver of compliance or performance by the respective party, nor to excuse the other party from complying or performing, unless such right or such compliance or performance has been specifically waived in writing.

Verizon has included a “no waiver” provision in its Proposed License. (See Proposed License, §2.6)

7. **Police Powers**

The License shall provide that the Licensee shall comply with all applicable laws, and regulations and that nothing in the License shall be construed to prohibit the reasonable, necessary or lawful exercise of the Town’s police powers. Any conflict between the terms of the License and any present or future exercise of the Town’s police powers shall be resolved in favor of the latter. Nothing in the License shall be deemed to prohibit or restrict the authority of the Licensee to challenge the legality of any law or regulation.

Verizon has included in Section 2.5 of its Proposed License: “Notwithstanding any provision to the contrary herein, this License is subject to and shall be governed by all applicable provisions of federal and State law as they may be amended ...” Additionally, Verizon has included in Section 2.8 of its Proposed License: “nothing in this License shall be construed to prohibit the reasonable, necessary and lawful exercise of the Town’s police powers.”

8. **Transfer of License or Control Thereof**

a) *Written Consent of Issuing Authority Required*

Neither the License, nor control thereof shall be transferred, assigned or disposed in any manner, voluntarily or involuntarily, directly or indirectly, or by transfer of control of any person, company and/or other entity holding such License to any other person, company and/or other entity, without the prior written consent of the Issuing Authority in accordance with applicable law. If requested by the Applicant, the License may provide that a transfer or transfer of control will not include certain

transfers to the parent of the Licensee or to an affiliate of the Licensee where the affiliate is controlled by the Licensee or the parent of the Licensee and the Town is provided evidence and/or security satisfactory to the Town, that said parent or affiliate has the financial, legal, management and technical ability to meet all License requirements.

b) No Waiver or Release of Rights and Obligations

The consent or approval of the Issuing Authority to any transfer or assignment of the License or control thereof granted to the Licensee shall not constitute a waiver or release of the rights of the Town in and to the streets and public ways or any other rights of the Town under this License, and any such transfer shall, by its terms, be expressly subordinate to the terms and conditions of this License. Any proposed controlling or owning person or transferee approved by the Town shall be subject to all of the terms and conditions contained in this License.

c) Reimbursement For Issuing Authority's Reasonable Expenses

The Licensee shall reimburse the Issuing Authority for reasonable expenses incurred in reviewing its application, including but not limited to, whether the transferee/assignee has the technical, legal, financial and operational ability to operate the cable system to provide cable service and to comply with the existing License, In no case shall the Licensee be required to reimburse the Issuing Authority for expenses exceeding Five Thousand Dollars (\$5,000.00). Failure of the Licensee (or transferee) to promptly reimburse the Issuing Authority after written request is made shall be a material breach of the License that may give rise to termination of the franchise or other remedy available to the Issuing Authority under the License as a result of the Licensee's material breach thereof.

The following statement is responsive to Items III(D)(8)(a)-(c) above. Verizon's Proposed License contains provisions addressing license transfers. These provisions will be discussed during negotiations with the Town. See Proposed License, § 1.43 and Article 11.

E. Use of Public Rights-of-Ways

1. Reference in the License to "public rights-of-ways, public ways, public places" or similar terms referencing public property over which the Licensee may construct, install, operate and maintain its Cable Television System, shall not be construed to be a representation or guarantee by the Town that its property rights are sufficient to permit its use for any purpose, or that the Licensee shall gain or be permitted to exercise any

rights to use property in the Town greater than those already possessed by the Town.

2. The Licensee shall not endanger or unreasonably interfere with the lives of persons, with any installations of the Town, any public utility serving the Town or any other persons permitted to use public ways and places.
3. Grant of a License shall not establish priority for use over other present or future permit holders or the Town's own use of public rights-of-way. Disputes between the Licensee and other parties regarding use of public ways and places shall be resolved in accordance with applicable Town by-laws, regulations and policies.

The following statements are responsive to Items III(E)(1)-(3) above. Verizon is a common carrier as defined in Title II of the Communications Act. Federal and state law gives Verizon the legal authority to access the public rights-of-way in the Town. MGL Chapter 166, §21 grants Verizon the right to place its lines upon, along, under and across the public ways in Massachusetts; and MGL Chapter 166, §22 provides that municipal permission is not required for Verizon to renew, repair or replace wires, cables, or other facilities, or for making house connections or connections between existing conduits and poles, once they are erected.

F. Provision of Cable Service

1. Service Area

- a) The service area shall be the entire Town of Acton.
- b) There shall be no density requirement for the provision of Cable Service to residences in the Town. All residences shall be offered service.
- c) Cable service must be offered to all commercial establishments in the Town provided that said establishment(s) agrees to pay for installation and monthly subscription costs as established by the Licensee.
- d) The Applicant must indicate in its Amended Application by what date it will commit to making Cable Service available to all residences and commercial establishments in the Town. The date for the initial service area, which shall include, but not be limited to all areas of Acton in which the Applicant's infrastructure has been completed as of said date, shall be no later than twelve (12) months after the Effective Date of the Final License. The date for remainder of the Town of Acton shall be no later than twenty-four (24) months after the Effective Date of the Renewal License, If contrary to this sub-paragraph (d), the Applicant proposes to make

cable service available to any portion of the Town after said twenty-four (24) month period, the Applicant must state in detail the specific reasons for this proposed delay. This request for an explanation should not be interpreted to mean that any provision for a completion time greater than twenty-four (24) months after the Effective Date will be acceptable to the Issuing Authority.

The following statement is responsive to Items III(F)(1)(a)-(d) above. Verizon proposes to make its cable service available to a significant number of residents in the Town within twelve (12) months of the Effective Date, and to all residents in the Town within five (5) years of the Effective Date, in both cases subject to negotiations and certain limitations – e.g., force majeure, technical impracticability, etc. Verizon proposes to provide service in less time than that which is required by Massachusetts state law. See MGL Ch. 166A, §5N. Verizon’s cable service will be made available to all residences in areas of the Town that satisfy the density requirements set forth in the Proposed License. Verizon may make cable service available to businesses in the Town but will not commit to making cable service available to all businesses in the Town in its license. See Proposed License, § 3.1.

2. **Standard Drop/Connection Distance**

The first one hundred fifty feet (150’) from the Cable System’s trunk and distribution system to a residential dwelling unit, whether aerial or underground, shall be connected by the Licensee at its expense.

The Licensee shall connect all residential dwelling units within one hundred and twenty five (125) feet of Licensee’s trunk or feeder lines not otherwise already served by Licensee’s FTTP Network. Licensee shall be allowed to recover, from a Subscriber that requests such connection, actual costs incurred for residential dwelling unit connections that exceed one hundred twenty five (125) feet and actual costs incurred to connect any non-residential dwelling unit Subscriber. See Proposed License, § 3.2.

3. **New Areas/Trenching**

As new areas of Acton are developed, the Licensee shall extend its cable system via underground facilities to all such areas served by public power and telephone within a reasonable period of time, but in no event later than three (3) months after the completion of the power and telephone services (unless there is a delay in obtaining pole or conduit licenses or permission from pole/conduit owners not caused by the act(s) or omission(s) of the Licensee) and at the Licensee’s expense. In order to help obviate the need for unnecessary retrenching to retrofit feeder and/or drops to support future Cable Service to residences in newly constructed subdivisions, the Licensee shall make reasonable efforts to coordinate the installation of

conduit with developers and/or contractors constructing subdivisions. Cable Service shall be available to any new dwelling constructed in the Town no later than thirty (30) days after the issuance of an occupancy permit or a written request by a resident residing in the new area, whichever is sooner.

This is not applicable to Verizon's cable license. As stated above, Verizon's construction of the FTTP network is being performed pursuant to its authority under Title II of the Communications Act and Chapter 166 of the MGL, and is not subject to federal or state cable laws or the cable license that may be granted by the Town. Verizon will construct its facilities (and restore public rights-of-ways) in the Town consistent with applicable federal and state Title II laws and regulations, and subject to any customary time, place and manner permits issued by the Town. Verizon has worked, and will continue to work, closely with the Town in a professional manner with respect to the permitting process and throughout Verizon's construction efforts in the Town.

4. **Cable Service to Public Buildings**

The Licensee shall provide, at its sole cost, service outlet(s), drop(s) and digital converter(s), together with monthly Basic and Expanded Basic Service and the most commonly subscribed to digital tier to all municipal, school and public buildings in the Town as designated by the Issuing Authority, including the access studio. A list of municipal, school and public buildings requiring a cable outlet and drop and cable service is attached hereto as Appendix A³. Future municipal and school buildings shall be connected and served as required herein, no later than one hundred twenty (120) days after written notice of said new building by the Issuing Authority or its designee to the Licensee.

Pursuant to Chapter 166A, Section 5(e) of the MGL, Verizon will provide, without charge, one service outlet activated for Basic Service to each public school, police and fire station, public library and other public buildings along Verizon's network route in the Town, which buildings will be identified on an exhibit to the final license. Verizon may install more than one outlet, or concealed inside wiring, or a service outlet requiring more than one hundred twenty five (125) feet of drop cable, provided that Verizon may recover the costs for such extra installation. See Proposed License, § 3.3.

G. Cable System and Facilities

1. **System Characteristics**

³ This appendix is being prepared by Mark Hald and will be included in a future draft, This footnote will be removed.]

The Cable System shall meet or exceed the following requirements:

- a) Analog portions of the Cable System, if any, shall be designed with an initial analog passband of 860 MHz or more.

The FTTP network shall be designed with an initial digital carrier and analog passband of between 50 and 860 MHz.

- b) The Licensee shall retransmit all closed-captioned signals received with programming to facilitate viewing by handicapped persons. The Licensee shall maintain all necessary equipment to make second audio programming features and Program and System Information Protocol (PSIP) or equivalent information transmitted by the broadcast or non-broadcast programming source available to Subscribers, except equipment required on a Subscriber's premises.

All channels on Verizon's network will be capable of passing through to subscribers all available stereo and closed-captioned signals.

- c) The Cable System shall be designed to be an active two-way plant utilizing the return bandwidth to permit such services as impulse pay-per-view and other interactive services.

Verizon's cable network will provide a wide variety of interactive features, including on demand pay per view programs.

- d) All Programming provided to the Licensee in Stereo and/or other enhanced audio formats shall be cablecast to Subscribers in the original format.

All channels on Verizon's network will be capable of passing through to subscribers all available stereo and closed-captioned signals.

- e) The Cable System shall at all times conform to the applicable FCC Technical Specifications (currently FCC Rules and Regulations, §76.605 - Technical Standards).

Verizon will comply with all applicable state and federal regulations governing the construction and operation of its Title II network.

- f) The Cable System shall comply with all requirements of federal law and regulation governing Subscribers' capability to control the

reception of any channels being received on their television sets (i.e. parental control capability).

All subscribers in the Town who have a set top box (STB) will have the capability of blocking any digital channel which he or she does not wish to have viewed on their television.

- g) The Cable System shall be erected and maintained so as not to interfere with vehicular or pedestrian traffic over Public Ways and places. The erection and location of all poles, towers and other obstructions shall be in accordance with all applicable state and local laws and regulations.

This is not applicable to Verizon's cable license. As stated above, Verizon's construction of the FTTP network is being performed pursuant to its authority under Title II of the Communications Act and Chapter 166 of the MGL, and is not subject to federal or state cable laws or the cable license that may be granted by the Town. Verizon will construct its facilities (and restore public rights-of-ways) in the Town consistent with applicable federal and state Title II laws and regulations, and subject to any customary time, place and manner permits issued by the Town.

Verizon has worked, and will continue to work, closely with the Town in a professional manner with respect to the permitting process and throughout Verizon's construction efforts in the Town. The Town's Department of Public Works manager and Board of Selectmen should be fully aware of all of the necessary permits and grants of location which Verizon is subject to in constructing its FTTP network, all of which are outside the scope of this license. To the extent that the Town does not have such information, for informational purposes only, Verizon will work with the Town during the negotiating process to assist in locating such materials.

2. **Underground Facilities**

The Town has a community need and interest that Verizon's cable system meet the following requirements:

- a) In the areas of the Town in which telephone lines and electric utility lines are currently, or in the future specified to be, underground, whether required by law or not, all of the Licensee's lines, cables and wires shall be underground. At such time as telephone lines or electric utilities are placed underground at the sole cost and expense of the respective telephone company or electric utility or are lawfully required by the Town to be placed underground at the sole cost and expense of the respective utility, the Licensee shall likewise place its facilities underground at its

sole cost and expense. At such time as telephone lines or electric lines are placed underground but at no cost to the Town, the Licensee shall likewise place its facilities underground at no cost to the Town.

- b) Underground cable lines shall be placed beneath the pavement subgrade in compliance with applicable code, Town by-laws, rules, regulations and/or standards. It is the policy of the Town that existing poles for electric and communication purposes be utilized wherever possible and that underground installation is preferable to the placement of additional poles.
- c) The Town shall make best efforts to notify the Licensee of any underground grant-of-location requests submitted to the Town by a utility.

If Verizon requests that the Cable License not include specific requirements regarding undergrounding its facilities, Verizon must submit as part of its Amended Application, a complete listing and description of all laws, regulations, codes, written policies, other requirements, and practices regarding undergrounding which currently apply to Verizon's telephone infrastructure and which will apply to Verizon's so-called FTTP Network

3. **Pedestals and other encasements for wiring and equipment located in public view**

In any cases in which Pedestals housing active and passive devices are to be utilized, in public ways or within the Town public lay-out. such equipment must be: (i) flush to the ground or at sufficient height on poles to not endanger the public, of rural character in look and a color consistent with the landscaping, and (ii) installed in accordance with applicable Town bylaws, rules, and regulations. All such Pedestals or encasements shall be shown on the construction maps submitted to the Town.

If Verizon requests that the table License not include specific requirements regarding pedestals' and encasements, Verizon must submit as part of its Amended Application, a complete listing and description of all laws, regulations, codes', written policies, other requirements, and practices regarding pedestals and encasements, their type, placement and other characteristics which: (i) currently apply to Verizon's telephone infrastructure and/or (ii) which will apply to Verizon's so-called FTTP Network

The following statement is responsive to Items III(G)(2)-(3) above. Please see the response to Item III(G)(1)(g) above.

4. **Cable System Interconnection**

- a) The Acton Cable System shall, at a minimum, be capable of being directly interconnected with Verizon's Boxborough cable system. Upon the request of the Town of Boxborough's Issuing Authority, and a subsequent vote by the Acton Board of Selectmen reaffirming Acton's authorization for the interconnection, the Acton and Boxborough cable systems shall be interconnected by the Licensee. The interconnection shall be completed at no cost to Acton Subscribers.
- b) The Licensee shall, if requested by the Issuing Authority, use its best efforts to provide for the interconnection of the Acton Cable System with any other cable system, other than the Boxborough system for which specific provision is made above. Interconnection of systems or channels shall be accomplished by direct cable connection, microwave link, satellite, or other appropriate and economically feasible method. Upon receiving a request of the Issuing Authority to interconnect a system or channel(s), the Licensee shall initiate negotiations with the other affected system(s) in order that costs may be appropriately shared for the interconnection link. The Town shall rescind its request for interconnection if the Licensee has negotiated in good faith and has failed to obtain an approval from the system or systems of the proposed interconnection, or that the cost of the interconnection would cause an unreasonable or unacceptable increase in Subscriber rates, or if the system architectures involved are incompatible for purposes of interconnection. The foregoing is contingent on the willingness of the other Licensee(s) and the Issuing Authority(s) to participate on equitable terms and the foregoing being in accordance with applicable laws.

Any ability to "directly interconnect" with another town or city's cable channels is dependant upon Verizon's License agreement with that jurisdiction. Moreover, the ability to "directly interconnect" may also involve the ability to reach agreement with another cable provider as well as various other factors. Verizon is willing to discuss this issue in more detail during License negotiations.

H. **Emergency Alert/Override Capacity**

1. In accordance with the provisions of FCC Rules and Regulations Part 11, Subpart D, Section 11.51 (h)(1), and as such provisions may from time to time be amended, the Licensee shall install, maintain and comply with an Emergency Alert System (EAS). As allowed by FCC Order FCC 97-338, Paragraph 33, the Licensee shall transmit all national, state, and local activations of the Federal EAS, utilizing the four-part message protocol

specified in FCC Rules and Regulations Part 11, Subpart B, or successor protocols. This shall include such local and state-wide situations as may be designated to be an emergency by the Local Primary (LP), the State Primary (SP) and/or other authorities identified and defined within FCC Rules and Regulations, Part 11 or the Local and State Plans provided for under those rules.

2. The Licensee shall provide to the Town without human intervention by Licensee, in times of an emergency endangering the Town or its residents and for periodic (e.g. — monthly) testing by the Town, the right and the capability to directly access by remote control the video and audio of all channels to create and cablecast either or both of the following: (i) a specific message crafted by an authorized Town official and/or (ii) one of two pre-established video scroll messages as reasonably determined by the Issuing Authority (such as “Acton Residents, this is a TEST of the Town of Acton Emergency Alert System. In an actual emergency you will be advised to tune to Acton Channel for details” or “Acton Residents, the Town of Acton is issuing an Emergency Alert. Please tune to Acton Channel — for further details.”) and a pre-established audio alert message with the same text as the video scroll message. The pre-established messages (1) may be changed by the Town from time to time to another reasonable message, and (2) shall advise Acton residents to tune to the Acton Channel or the equivalent thereof Federal EAS alerts (meaning national, state and local alerts on the Federal EAS) and tests shall take precedence over and automatically override the Acton video scroll messages and audio alert messages (including, in each case, test messages) provided for herein, and the Licensee shall obtain and maintain appropriate hardware and software to accomplish the preceding. The Issuing Authority acknowledges that in the event that the Town’s use of the emergency override causes an override of or interference with a national emergency alert, the Licensee shall not be responsible therefor.

The following statement is responsive to Items III(H)(1)-(2) above. Verizon will comply with the Emergency Alert System requirements of the FCC in order that emergency messages may be distributed over Verizon’s cable system. See Proposed License, § 5.3.

I. Maintenance of the Cable System

1. Construction. Maintenance and Safety Standards

- a) The Licensee shall install, operate, maintain and remove the Cable System in conformance with Occupational Safety and Health Administration regulations, the Massachusetts Electrical Code, the

National Electrical Code, the National Electrical Safety Code, the rules and regulations of the Cable Division and the FCC, all State and lawful local laws and regulations as the same exist or may be amended hereafter. In the event of a conflict among the codes and standards, accepted cable industry practices shall control, except insofar as such practices, if followed, would result in the Cable System not meeting the express requirements of applicable law or regulations, or in instances in which such practices are expressly preempted.

If Verizon requests that the Cable License not require the Cable System to conform to the above referenced codes, laws and regulations, Verizon must submit as part of its Amended Application, a complete listing and description of all laws, regulations, codes, written policies, other requirements, and practices which: (i) currently apply to Verizon's telephone infrastructure and/or (ii) which will apply to Verizon's so-called FTTP Network.

- b) Any contractor or subcontractor used for work or construction, installation, operation, maintenance or repair of the Cable System must be properly licensed, and each contractor or subcontractor shall have the same obligations with respect to the work as the Licensee would have if the work were performed by the Licensee. The Licensee shall be responsible for ensuring that the work of contractors and subcontractors is performed consistent with the requirements of this License and applicable laws and regulations. The Licensee shall be responsible for the acts and omissions of its contractors and subcontractors, including responsibility for promptly correcting such work.

The following statement is responsive to Items III(I)(1)(a)-(b) above. Verizon will comply with all lawful federal, state and local rights-of-way regulations applicable to it as a common carrier, including the Occupational Safety and Health Administration Regulations (OSHA) and National Electrical Safety Code (NESC).

2. **Cable System Tests and Inspections**

- a) The Town by its designee(s) shall have the right to inspect the plant, equipment and other property of the Licensee in the Town, including, but not limited to, all construction, installation and/or upgrade work performed, and to make such tests as deemed necessary to ensure compliance with the terms and conditions of this License and all other applicable law and regulations. Any such inspection shall be conducted after reasonable notice and shall not

interfere with the Licensee's operations, except in emergency situations.

- b) The Issuing Authority shall notify the Licensee of any violations found during the course of an inspection(s). The Licensee must bring violations specified in the written notice that are within the Grantee's control into compliance as follows: (i) safety violations must be made safe within twenty-four (24) hours of the receipt of written notice; and (ii) all other violations must be brought into compliance within seven (7) days of receiving said written notice. After the specified time period, the Licensee shall submit a written report to the Issuing Authority, describing the steps it has taken to bring itself into compliance. Inspection by the Issuing Authority or its designee(s) does not relieve the Licensee of its obligation to comply with this License and applicable law and regulations.

If Verizon requests that the Cable License not provide for the above referenced inspections and testing, Verizon must submit as part of its Amended Application, a complete listing and description of all laws, regulations, codes, written policies, other requirements, and practices regarding inspection and/or testing which: (i) currently apply to Verizon's telephone infrastructure and/or (ii) which will apply to Verizon's so-called FTTP Network

The following statement is responsive to Items III(I)(2)(a)-(b) above. This request is not applicable to Verizon's FTTP network. Verizon's construction of the FTTP network is being performed pursuant to its authority under Title II of the Communications Act and Chapter 166 of the MGL, and is not subject to federal or state cable laws or the cable license that may be granted by the Town. As such, Verizon is not required to grant the Town access to its facilities for testing or inspection purposes.

Verizon rigorously maintains its FTTP network. Verizon's video head ends will be staffed 24 hours per day/365 days per year by experienced personnel to ensure picture quality and to keep any downtime to a minimum. The head end equipment is designed with redundancies to ensure major components are backed up with standby equipment, allowing switching without affecting customers' viewing. In addition to staffing the head ends, a second level of monitoring has been added through the creation of a VidNOC facility that links the monitoring and management of all Verizon head ends to one central location.

3. **Strand Maps**

The Licensee shall maintain a complete set of strand maps of the Cable System plant, and shall provide a copy of all strand maps to the Town Public Works Department and Town Information Technology Department.

In addition to paper strand maps, said maps shall also be provided to the Town in electronic format. The Licensee shall not be required to provide a particular type of electronic format which is different from the electronic format the Licensee maintains. If changes are made in the Cable System, the Licensee shall file an updated map(s), including in electronic format, not later than fourteen (14) days after the respective change(s). The electronic format shall be a source format commonly used in the industry, non-proprietary, and capable of being imported into municipal geographical information systems (GIS), and shall include precise geographic coordinates (e.g. GPS).

If Verizon requests that the Cable License not require strand maps, as provide for above, Verizon must submit as part of its Amended Application, a complete listing and description of all laws, regulations, codes, written policies, other requirements, and practices regarding inspection and/or testing which: (i) currently apply to Verizon's telephone infrastructure and/or (ii) which will apply to Verizon's so-called FTTP Network.

Since Verizon's FTTP network is being constructed pursuant to its authority under Title II of the Communications Act, its facilities are telecommunications facilities. Maps of Verizon's telecommunications facilities will not be provided as part of its cable license.

4. *Dig Safe*

The Licensee shall comply with all applicable "Dig Safe" provisions, pursuant to M.G.L. Chapter 82, Section 40.

If Verizon requests that the Cable License not require compliance with all applicable Dig Safe provisions, Verizon must submit as part of its Amended Application, a complete listing and description of all laws, regulations, codes, written policies, other requirements, and practices regarding the application of the Dig Safe law and requirements, which: (i) currently apply to Verizon's telephone infrastructure and/or (ii) which will apply to Verizon's so-called FTTP Network.

5. *Relocation of Fire Alarms*

The Licensee shall reimburse the Town at cost for any reasonable expense, including materials and labor, caused by relocation of any fire alarm cable or equipment to make poles ready for the Licensee's cable or equipment. The Town shall cooperate in this relocation so as to minimize delay in the Licensee's installation, maintenance and repair schedule.

If Verizon requests that the Cable License not require compliance with all applicable practices regarding the relocation office alarms, Verizon must submit as part of its Amended Application, a complete listing and description of all laws, regulations, codes, written policies, other requirements, and practices regarding the relocation of fire alarms which: (i) currently apply to Verizon's telephone infrastructure and/or (ii) which will apply to Verizon's so-called FTTP Network

6. **Construction Projects**

During the course of any construction undertaken during the term of this License, including a rebuild or upgrade of the Cable System, that lasts longer than thirty (30) days, the Licensee shall submit weekly status reports to the Issuing Authority or its designee until such construction is complete.

If Verizon requests that the Cable License not require the above referenced construction reports, Verizon must submit as part of its Amended Application, a complete listing and description of all laws, regulations, codes, written policies, other requirements, and practices regarding construction status reports to the Town which: (i) currently apply to Verizon's telephone infrastructure and/or (ii) which will apply to Verizon's so-called FTTP Network.

7. **Service Interruptions**

Except where there exists an emergency situation necessitating a more expeditious procedure, the Licensee may interrupt Service for the purpose of non-routine repairing, constructing or testing of the Cable Television System only during periods of minimum use and, when practical, only after a minimum of seven (7) days notice to all affected Subscribers.

If Verizon requests that the Cable License not require compliance with the above referenced service interruption procedures, Verizon must submit as part of its Amended Application, a complete listing and description of all laws, regulations, codes, written policies, other requirements, and practices regarding service interruptions which: (i) currently apply to Verizon's telephone infrastructure and/or (ii) which will apply to Verizon's so-called FTTP Network

8. **Tree Trimming**

In installing, operating and maintaining equipment, cable and wires, the Licensee shall avoid damage and injury to trees in and along Public Ways. The Licensee shall be subject to M.G.L. Chapter 87 and shall comply with all Town bylaws and regulations regarding trees.

If Verizon requests that the Cable License not require compliance with the above referenced tree trimming requirements, Verizon must submit as part of its Amended Application, a complete listing and description of all laws, regulations, codes, written policies, other requirements, and practices regarding tree trimming which: (i) currently apply to Verizon's telephone infrastructure and/or (ii) which will apply to Verizon's so-called FTTP Network.

9. **Moving Buildings**

The Licensee shall temporarily raise or lower its wires and other equipment upon the reasonable request of any Person holding a building moving permit issued by the Town. The expense of such raising and/or lowering shall be paid by the party moving the building, unless otherwise required or permitted by applicable law, however in the event said raising or lowering is necessitated as a result of moving a: (i) structure owned or controlled by the Town or (ii) structure of historical significance, including a structure on the Historic Register, the expense of raising and/or lowering said wires and other equipment shall be borne by the Licensee, unless otherwise required by applicable law. The Licensee shall be given reasonable prior notice of such move.

If Verizon requests that the Cable License not require compliance with the above referenced requirements regarding the movement of its infrastructure as a result of the movement of a building(s), Verizon must submit as part of its Amended Application, a complete listing and description of all laws, regulations, codes, written policies, other requirements, and practices arising from the movement of building, which: (i) currently apply to Verizon's telephone infrastructure and/or (ii) which will apply to Verizon's so-called FTTP Network

10. **Disconnection and Reconnection**

The Licensee shall, without charge to the Town, protect, support, temporarily disconnect, relocate in the same Street or other Public Way, or remove from any Street or any other Public Ways, any of its property as required by the Issuing Authority and/or its designee(s) by reason of traffic conditions, public safety, street construction, change or establishment of street grade, or the construction of any public improvement or structure by any Town department acting in a governmental capacity.

If Verizon requests that the Cable License not require compliance with the above referenced disconnection and reconnection requirements, Verizon must submit as part of its Amended Application, a complete listing and description of all laws, regulations, codes, written policies,

other requirements, and practices regarding disconnection and reconnection, which: (i) currently apply to Verizon's telephone infrastructure and/or (ii) which will apply to Verizon's so-called FTTP Network.

11. **Restoration of Public Property To Prior Condition**

Whenever the Licensee takes up or disturbs any pavement, sidewalk, landscaping or other improvement of any Public Way, the same shall be repaired or replaced and the surface restored to its previous condition or better, as determined under the circumstances by the Town. Said repair, replacement and restoration shall be made by the Licensee as soon as possible, but in no event more than thirty (30) days after the damage has occurred, unless otherwise agreed to in writing by the Town. If the Licensee fails to make such restoration within a reasonable time, the Issuing Authority may fix a reasonable time for such restoration and repairs and shall notify the Licensee in writing of the restoration and repairs required and the time fixed for performance thereof. Upon failure of the Licensee to comply with the specified time period, the Issuing Authority may cause proper restoration and repairs to be made and the reasonable expense of such work shall be paid by the Licensee upon demand by the Issuing Authority.

If Verizon requests that the Cable License not require compliance with the above referenced restoration of public property requirements, Verizon must submit as part of its Amended Application, a complete listing and description of all laws, regulations, codes, written policies, other requirements, and practices regarding restoration of public property which: (i) currently apply to Verizon's telephone infrastructure and/or (ii) which will apply to Verizon's so-called FTTP Network.

12. **Private Property**

The Licensee shall be subject to all laws, by-laws and/or regulations regarding private property in the course of constructing, upgrading, installing, operating and maintaining the Cable Television System in the Town. The Licensee shall at its sole cost and expense, promptly repair, replace and restore all private property, real and personal, including landscaping, damaged or destroyed as a result of the construction, installation, operation or maintenance of the Cable System. Said repair, replacement and restoration shall be made by the Licensee as soon as possible, but in no event more than thirty (30) days after the damage has occurred, unless otherwise agreed to in writing by the private property owner,

If Verizon requests that the Cable License not require compliance with the above referenced restoration of private property requirements, Verizon must submit as part of its Amended Application, a complete listing and description of all laws, regulations, codes, written policies, other requirements, and practices regarding restoration of private property which: (i) currently apply to Verizon's telephone infrastructure and/or (ii) which will apply to Verizon's so-called FTTP Net work

13. **Double Poles - Removal of Licensee's Wiring Other Attachments From Poles**

The Licensee shall, conditioned upon a minimum of a forty-eight (48) hour notification by a distribution company (as defined in M.G.L. c.164, Section 1), if applicable, of the starting date for removal of an existing pole(s) and the installation of a new pole in place, shall remove its (the Licensee's) wiring and other attachments from the pole(s) in a timely manner (i.e. in a manner consistent with the distribution or telephone company's obligation pursuant to M.G.L. e.164, Section 34B to remove the existing pole(s) from the site within ninety (90) days from the date of the installation of the new pole.) The Licensee shall not be responsible for the acts or omissions of the distribution or telephone company, or of any other non-Affiliate who is a user of the pole(s). Nor shall the Licensee be responsible for a failure to remove its wiring and other attachments from the poles in accordance herewith, to the extent such failure is caused by a distribution or telephone company or any other non-Affiliate.

If Verizon requests that the Cable License not require compliance with the above referenced double pole requirements, Verizon must submit as part of its Amended Application, a complete listing and description of all laws, regulations, codes, written policies, other requirements, and practices regarding the removal of double poles which: (i) currently apply to Verizon's telephone infrastructure and/or (ii) which will apply to Verizon's so-called FTTP Network Additionally, Verizon must submit a written record of each of the following since January 1, 2001: (i) all double poles in the Town of Acton owned by Verizon of New England or an affiliated company, which remained after ninety (90) days from the date of the installation of the new pole, and (ii) all double poles its facilities were or are located on ninety (90) days from the date of the installation of the new pole, regardless of the ownership of said pole (s).

The following statement is responsive to Items III(I)(4)-(13) above. As stated above, Verizon's construction of the FTTP network is being performed pursuant to its authority under Title II of the Communications Act and Chapter 166 of the MGL, and is not subject to federal or state cable laws or the cable license that may be granted by the Town. Verizon will construct its facilities (and restore public rights-of-ways) in the Town

consistent with applicable federal and state Title II laws and regulations, and subject to any customary time, place and manner permits issued by the Town.

Verizon has worked, and will continue to work, closely with the Town in a professional manner with respect to the permitting process and throughout Verizon's construction efforts in the Town. The Town's Department of Public Works manager and Board of Selectmen should be fully aware of all of the necessary permits and grants of location which Verizon is subject to in constructing its FTTP network, all of which are outside the scope of this license. To the extent that the Town does not have such information, for informational purposes only, Verizon will work with the Town during the negotiating process to assist in locating such materials.

Verizon's policies regarding service outages and interruptions are detailed in the proposed license submitted to the Town. Verizon is willing to discuss its obligations under Title II and Chapter 166 of the MGL in more detail during negotiations with the Town.

J. Services and Programming

1. Basic Service

The Licensee shall make available Basic Service to all Subscribers, which shall include all Signals which are required to be carried by a cable television system serving the Town pursuant to applicable law or regulation, and (ii) the PEG (Public, Educational, and Government) Access Channels required by this License, except to the extent prohibited by applicable law.

Verizon's Basic Service tier will include all "must carry" broadcast television channels, the Town's PEG channels, and select cable channels.

2. Programming

- a) Pursuant to Section 624 of the Cable Act, the Licensee shall maintain the mix, quality and broad categories of Programming: Broadcast Stations; News; Public Affairs; Financial and Business; Children's Programming, Arts and Cultural; Science and Health, and Public Broadcasting.
- b) The Licensee shall provide the Issuing Authority and all Subscribers with notice of its intent to substantially change the Programming line-up at least thirty (30) days before any such change is to take place. At the same time, the Licensee shall also

provide Subscribers with a channel line-up card or suitable marker showing the new channel line-up.

The following statement is responsive to Items III(J)(2)(a)-(b). For residential customers, Verizon will initially offer broadcast television, high definition television (HDTV), digital video recorders (DVR), interactive program guide (IPG), and on demand movies and events. The broadcast television offering will consist of both analog and digital channels. The analog tier will be carried “in the clear” (i.e., will not require the use of a set top box for receipt of service) and will include PEG channels and select cable channels. The digital channel line-up will include additional cable channels, premium cable channels, digital music channels, an interactive program guide (IPG), HDTV programming and on demand programming. For digital tiers, a set top box (STB) will be required for receipt of service. Monthly recurring fees will be charged for STBs provisioned to the customer. The customer will be offered the option to upgrade STBs to include support for HDTV, a DVR, or both, for an additional monthly fee.

Verizon will comply with applicable law and provide the Town with updated information when it alters its channel lineup or rate schedule.

Additional information on the available equipment and services is described in Verizon’s Form 100 (question 23, Exhibit F). Verizon will provide subscribers with a “welcome kit” which will contain information on equipment and services. Once Verizon has developed and finalized this kit and related sales literature, we will be able to share copies of these materials with the Town.

3. Leased Channels

Pursuant to Section 612(b)(1)(B) of the Cable Act, the Licensee shall make available channel capacity for commercial use by Persons unaffiliated with the Licensee.

Verizon will comply with applicable laws relating to leased channel access.

4. Continuity of Service

It shall be the right of all Subscribers to receive Cable Service insofar as their financial and other obligations to the Licensee are honored; provided, however, that the Licensee shall have no obligation to provide Cable Service to any Person who or which the Licensee has a reasonable basis to believe is utilizing an unauthorized Converter and/or is otherwise obtaining any Cable Service without required payment thereof. The Licensee shall ensure that all Subscribers receive continuous, uninterrupted Cable Service, except for necessary Cable Service interruptions. When necessary non-routine Cable Service interruptions can be anticipated, the Licensee shall notify Subscribers of such interruption(s) in advance.

The provision of Cable Service shall be defined under Section 602 of the Communications Act, 47 U.S.C. 522(6). Verizon has proposed standards for customer service, including relating to service interruptions, in its Proposed License.

K. Institutional Network

1. Institutional Network Obligation of Incumbent Cable Operator

Section 3.2 of the Cable Television Renewal License granted to Cablevision of Massachusetts on June 29, 2000, currently held by Comcast, required the incumbent cable operator to construct an Institutional Network (“I-Net”). The License provided/provides that:

The Licensee shall provide, no later than July 1, 2001 [Phase I of the I-Net was finished prior to December 31, 2002 and Phase II of the I-Net was completed in early 2003], and maintain, without charge to the Town, an Institutional Network (“I-Net”) to be utilized by the Town and the Acton-Boxborough Regional Schools in accordance with the terms herein. (For purposes of this Section 3.2, the term “Town” when used in the phrase “at no cost to the Town”, shall include the Acton-Boxborough Regional Schools.)

- a) The backbone architecture of the I-Net shall be dedicated point to point Single Mode fibers emanating from the Acton Town Hall and running to each Town and School Building identified on Exhibit 3.2A⁴ of this Renewal License. An additional link shall be provided between the Town Hall⁵ and the Licensee’s Head end. No point to point fiber link shall consist of less than two (2) fibers [four (4) fibers as amended, June 27, 2002] The distribution portion of the I-Net within municipal buildings and schools shall be coaxial cable and coaxial cable associated components. The typical topology is as depicted on Exhibit 3.2D⁶
- b) The Licensee shall be responsible for providing, installing and maintaining, at no cost to the Town, all electronics and hardware necessary for the operational pathway from the Licensee Head end to each user wall plate within each municipal/school building as needed to make the sites operable. This is to include, but not be limited to, all optical lasers, optical splitters, optical jumpers, optical receivers, in both the downstream and the upstream directions, and internal building components required to

⁴ Available at <http://tinyurl.com/e57dq>

⁵ As constructed this link is from the Town Library, adjacent to Town Hall, and consists of six fibers.

⁶ Available at <http://tinyurl.com/e57dq>

accommodate distribution from the coaxial output of the Licensee provided optical receiver to distribution drop wall plate within a municipal building. Internal building distribution components are to include, but not be limited to, coaxial distribution cable, taps, splitters, connectors, bidirectional amplifiers, power supplies, re-insertion equipment, distribution drop coaxial cable, faceplate hardware, and any other items necessary to make the system operational to the faceplates. Re-insertion equipment includes, but is not limited to, rack and accessories, filters, combining network and any other items necessary to make the system operational for local insertion of channels inside of each school/municipal building. Should the Town have a party other than the Licensee (or the Licensee's contractor(s)/agent(s)) provide the above referenced equipment or electronics, other than with the permission of the Licensee or as a result of the failure of the Licensee to meet its commitments pursuant to this Section 3.2, the Licensee shall not be responsible for the maintenance of the equipment or electronics provided by said third party(s).

- c) The Licensee, at its sole cost and expense, shall maintain and repair existing distribution drops previously provided by the Licensee that currently exist within the Town's municipal and school buildings identified on Exhibit 3.2B7 of this Renewal License, attached hereto and incorporated herein. The Licensee, at no cost to the Town, shall also provide, maintain and repair an additional one hundred (100) distribution drops within ninety (90) days after identification of location by the Town. The one hundred (100) drops will be selected by the Town from the list of drops identified on Exhibit 3.2C8. Additional drops required beyond the count of one hundred (100) referenced herein, shall be provided and installed by the Licensee at the expense of the Town, at a cost not to exceed the Licensee's cost for materials and labor (under rate rulings, if applicable) plus 11.25%, the cost of which may, at the Issuing Authorities discretion, be deducted from the finds to be paid by the Licensee to the Town in Year Three (3) pursuant to the Access and Technology Fund (Section 6.9). Maintenance and repair of these drops (beyond the one hundred (100) drops provided by the Licensee) shall be the sole responsibility of the Town, however, if requested by the Issuing Authority or its designee, the Licensee shall maintain and/or repair said drops at the cost of the Town, at a cost not to exceed the Licensee's cost for materials and labor (under rate rulings, if applicable) plus II .25%, which cost, may at the Issuing Authority's discretion, be deducted

⁷ Available at <http://tinyurl.com/e57dq>

⁸ Available at <http://tinyurl.com/e57dq>

from the funds to be paid by the Licensee from the Access and Technology Fund in the subsequent year; however, in the last year of this Renewal License such maintenance and/or repair cost shall be paid for by the Town or its designee within thirty (30) days of a bill from the Licensee. A distribution drop, for purposes of this section of the document, is defined as the coaxial cable running from the I-Loop distribution equipment (taps) to the wall plate(s) located within rooms throughout the various buildings. The Licensee shall coordinate the location of each Drop and/or Outlet with each of the aforementioned institutions.

- d) The Licensee shall supply, maintain and repair at its sole cost and expense, 30 converters to be used for the Educational and Municipal Access to Residential Programming (EMARP) combining network located at the Town I-1a11⁹. The EMARP topology is as depicted on Exhibit 3.2E¹⁰. The Licensee shall provide the aforementioned converters within forty-five (45) days after a written request(s) for the converter(s) by the Issuing Authority or its designee. The converters shall be capable of converting all programming that has been agreed on by both parties, to a usable format for re-broadcast onto the I-Net.
- e) The Licensee shall, at its sole cost and expense, provide, repair and maintain an adequate number of tap ports from the residential network to the Town Hall¹¹. These tap ports are to be terminated in the immediate proximity of the I-Net combining network, for purposes of allowing the Town and the Acton-Boxborough Regional Schools the ability to pick channels from the residential network for rebroadcast on to the I-Loop through the use of the Licensee provided dc-scrambling converters and Licensee provided channel processors (although filters may be provided, instead of channel processors, at the sole discretion of the Issuing Authority or its designee). The Licensee shall provide, repair and maintain, at its sole cost and expense, all components and hardware necessary to establish descrambled, clean Signals for re-broadcast, to include dc-scrambling converters and processors. The Licensee shall, at its sole cost and expense, design, provide, repair and maintain a combining network at the Town Hall¹² capable of supporting the upstream and downstream channels referenced in Subparagraph (f) below.

⁹ As constructed, Town Library.

¹⁰ Available at <http://Jtinvurl.com/e57dq>

¹¹ Town Library

¹² Town Library

- f) The I-Net shall be capable of transmitting between municipal buildings and public schools, among other things, video, electronic mail, data, interactive teaching, Internet access, municipal building energy management monitoring, security monitoring, telephony services and municipal training.
- g) The Town shall have exclusive use of the I-Net, however, the Town shall not act as a commercial Internet Service Provider by distributing or transmitting such services for commercial purposes over the I-Net or Subscriber Network to residential or commercial Subscribers. No other parties will be permitted to broadcast on the I-Net except for Town and/or school business and with approval from the Town (including the Acton School Department) and/or the Acton⁹ As constructed, Town Library Boxborough Public Schools. The Licensee shall provide the Town with reasonable engineering assistance, subject to reasonable availability, by its staff during the term of this license to assist in developing channel allocation/assignment of applications and services on the I-Loop.
- h) Unless otherwise provided herein, the Town and its designated I-Net users shall be solely responsible for the purchase, maintenance and replacement of any and all user terminal equipment such as data modems and televisions. The Licensee shall be solely responsible for the purchase, maintenance and replacement of all I-Net Fiber Optic system equipment head end equipment, I-Net hub site equipment, Internal distribution components, distribution drops, processors/modulators, descrambling converters or other equipment necessary to make the I-Net function. The Town and its designated I-Net agents shall retain the right to manage and operate said equipment. Upon request, the Town agrees to exercise best efforts to provide the Licensee with appropriate space for I-Net equipment. The Licensee shall also be responsible for equipment to enable the I-Net to interact with the Subscriber Network such that I-Net Signals may be transmitted upstream to the Licensee Head end via I-Net channels and downstream on the appropriate Residential Access Channels.
- i) The Licensee, at its sole cost and expense, shall be responsible for maintenance and repair of the I-Net in accordance with the following provisions:
 - i. Licensee shall maintain I-Net video Signal quality as prescribed by FCC Rules and Regulations, Part 76.
 - ii. Licensee shall reasonably determine, and assign the transmit and receive frequencies for all I-Net users subject to reasonable consultation with the users.

- iii. Licensee shall determine and design the correct Signal strength levels necessary to accommodate a quality distribution system throughout the I-Net, as prescribed by FCC Rules and Regulations, Part 76.
- iv. The I-Net shall be usable for Ethernet service at I OMbs. Licensee shall not interfere or in any way prohibit user interconnection of multiple work stations/computers or school or municipal local area networks to multi-user modems provided by municipal or school departments. Upon written request of the Town, the Licensee shall provide the Town with reasonable engineering assistance, subject to reasonable availability, by its staff during the term of this Renewal License to assist in developing the use of the I-Net or return capability. The I-Loop shall comply with current and future industry standard operational parameters for broadband data networks. Standards shall include, but not be limited to, DOCSIS (under development), IEEE 802.3 IO-Broad36, IEEE 802.7.
- v. The 1-NET shall be capable of supporting telephony services within three (3) years to allow for voice telephony between municipal buildings, schools, and commercial voice carriers. Nothing herein shall be construed to require the Licensee to provide additional equipment needed to provide telephony services.
- vi. The operational availability of the I-NET shall be 100%, ensuring uninterrupted use of services and applications running across the I-NET. At no time shall operational availability fall below 99% during prime business hours, as defined in Section 3.2 sub-section (j) of this Renewal License, or below 95% during non-prime business hours. The Licensee shall perform monitoring of the system acceptable to the Town's 1-Net Administrators or their designee to show uptime is in compliance with the aforementioned operational availability percentages.
- vii. The Licensee shall be responsible for all necessary inspections and performance tests of the I-Net facilities under its jurisdiction, as described above, and shall make a good-faith effort to support related testing of the I-Net infrastructure deemed to be required by the I-Net Administrator(s) for User interface fault isolation. Scheduled 1-Net infrastructure tests shall be performed at least once per year. Tests, at a minimum, shall show that the system is in compliance with industry accepted

parameters for over-all spectrum response, carrier to noise, cross-modulation, second order beating, composite triple beat, ingress/egress and end to end system balance to ensure the operational integrity of the optical transmission equipment, optical receiving equipment, and other I-Loop equipment. The Licensee shall perform any and all tests on the I-Loop that become a recommendation and/or requirement set forth by the FCC or other governing authority for I-Nets in the future, Test results shall be submitted to the I-Net Administrator(s) within thirty (30) days of test completion.

- j) The following requirements shall apply to the parties with respect to outages and repairs:
- i. The Town and/or Acton-Boxborough Regional Schools agree to appoint an I-Net Administrator(s) and notify Licensee of the name and telephone number(s) for contact of such person(s) within thirty (30) days after execution of this License.
 - ii. The hours 7:00 AM to 4:00 PM Monday through Friday are defined as Prime Business Hours for the Town, During Prime Business Hours, the Licensee shall make its best efforts to initiate action(s) to correct critical outages, as brought to the attention of the Licensee by the Town's and/or Acton-Boxborough Regional School I-Net Administrator(s), within one (1) hour of the time that it is notified of any such outage by the I-Net Administrator(s). Notwithstanding the foregoing, the Licensee shall respond to all critical outages occurring within Prime Business Hours within two (2) hours of the time that it is notified of any such outage by the I-Net Administrator(s). A critical outage is an outage of the I-Net which disrupts operation of time sensitive business,
 - iii. For critical outages occurring outside of Prime Business Hours, the Licensee shall initiate action(s) to correct such outages not later than the next Prime Business Hour.
 - iv. For all non-critical outages, the Licensee shall respond within six (6) hours during Prime Business Hours, unless otherwise agreed to by the parties hereto.
 - v. For scheduled I-Net maintenance or upgrade activities, and any scheduled Subscriber Network maintenance activities that may impact the I-Net, whether initiated at the Town's request or by the Licensee, the Licensee shall provide a

minimum of one (1) week notice to the I-Net Administrator(s), unless otherwise agreed to by the I-Net Administrator.

- vi. For all other non-emergency (scheduled or otherwise) I-Net activities or Cable System/Subscriber Network activities that may impact the I-Net or likely to create any outage of I-Net service, the Licensee shall notify the I-Net Administrator(s) at least forty-eight (48) hours prior to the commencement of any such activities. For all other maintenance activities, including emergency maintenance, the Licensee shall provide as much notice as is reasonably possible under the circumstances.
- vii. All Town requests for I-Net maintenance and Licensee's notices of the same shall be coordinated with the I-Net Administrator(s).
- viii. In the event that the Subscriber Network and the I-Net experience an outage simultaneously, it is the understanding of the parties hereto that the Licensee's first priority is to repair the Subscriber Network, Notwithstanding the foregoing, if the I-Net outage is a critical outage, repair of the I-Net shall instead take priority, except in the case wherein a simultaneous critical outage of the Subscriber Network is so widespread as to affect more than twenty five (25) Acton Subscribers.
- k) Upon written request of the Issuing Authority, the Licensee shall, at no cost to the Town, make extensions to the I-Net, new dedicated point to point Single Mode fibers emanating from the Acton Town Hall, to accommodate new municipal buildings and schools during the life of this Renewal License,
- l) In the event that applicable federal and state law or regulation allows the Licensee to incorporate any cost of the I-Net in its Subscriber rates, the Licensee may only do so to the extent allowed under said law's and regulations, including, but not limited to, compliance with 47 CFR 76.922. It is the parties' understanding and agreement that this means that only amounts above the first One Hundred Thousand Dollars, (\$100,000) [Amended to One Hundred Seventy Thousand Dollars (\$170,000 on June 27, 2002)] of I-Net costs can be included in said Subscriber rates. If requested to do so by the Issuing Authority, the Licensee shall provide a detailed written explanation of any such I-Net costs in sufficient detail to enable the Issuing Authority to understand the costs and how they have been allocated, passed-through, line-itemed or otherwise incorporated in charges to Subscribers. Unless agreed to

otherwise, the Licensing Authority shall provide said written explanation of costs to the issuing Authority, in writing, within fourteen (14) days of a written request to do so by the Issuing Authority.

The I-Net sites, as constructed and as currently configured, are as follows:

<u>Site</u>	<u>Address</u>	<u>Applications</u>
Memorial Library	486 Main St.	Hub Site, Data, Video
Citizens Library	21 Windsor Ave.	Data and Video
Council on Aging	50 Audubon Rd.	Data and Video
Emergency Management	3 School St.	Data and Video
Fire— Central Station	7 Concord Rd.	Data and Video
Fire — South Station	54 School St.	Data and Video
Fire — West Station	256 Central St.	Data and Video
Highway Dept.	14 Forest St.	Data and Video
NARA Park	25 Ledge Rock Way	Data and Video
Public Safety Building	371 Main St.	Data and Video
Sewer Treatment Plant	20 Adams St.	Data and Video
Town Hall	472 Main St.	Data and Video
Windsor Building	18 Windsor Ave.	Data and Video
Woodlawn Cemetery	104 Concord Rd.	Data and Video
A/B Buildings & Grounds	23 Charter Rd.	Data and Video
Conant School	80 Taylor Rd.	Data and Video
Douglas School	21 Elm St.	Data and Video
Gates School	75 Spruce St.	Data and Video
High School	36 Charter Rd.	Data and Video
Junior High School	16 Charter Rd.	Data and Video
Merriam School	15 Charter Rd.	Data and Video
Twin School	11 Charter Rd.	Data and Video
Highway Guard House	14 Forest Rd.	Data and Video
Vailencourt Building	17 Woodbury Lane	Data and Video
Fire — North Station	667 Main St.	Data and Video
Veterans' Memorial Field	673 Main St.	Data and Video
Morrison Facility	116 Concord Rd.	Data and Video
Commuter Facility	6 Central St.	Data and Video
Pump Station 1	133 River St.	Data
Pump Station 2	110 Main St.	Data
Pump Station 3	135 Prospect St.	Data
Pump Station 4	386 Mass. Ave.	Data
Pump Station 5	27 Charter Rd.	Data
Pump Station 6	6 Railroad St.	Data
Pump Station 7	16 Adams St.	Data
Pump Station 8	19 1-lillcrest Dr.	Data
Pump Station 9	1 Cover Hill Rd.	Data

Pump Station 10	22 Robert Rd.	Data
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2. **Cost To Incumbent Cable Operator of Constructing and Equipping the Institutional Network**

The total cost to the incumbent cable operator of constructing and equipping the

Institutional Network was Nine Hundred Twenty-Three Thousand Five Hundred Eighty-Three Dollars (\$923,583). (Constructed in Two Phases — Phase I -\$427,816 and Phase II \$495,767) (See most recent worksheet submitted with most recent FCC Form 1240 Rate Form.)

3. **Annual Cost to Incumbent Cable Operator for Institutional Network Maintenance**

The annual cost to the incumbent cable operator for I-Net Maintenance (based on most recent Comcast worksheet submitted with most recent FCC Form 1240 Rate Form) is Sixteen Thousand, Nine Hundred Eighty-Four Dollars (\$16,984).

The following statement is responsive to Items III(K)(1)-(3) above. Verizon will discuss the Town’s request for an I-Net related financial grant during negotiations.

L. Public, Educational and Government (PEG) Access

1. **PEG Access - Continuing To Build and Improve**

There is a cable-related community need and interest in continuing to build, improve, and expand public, educational and governmental (“PEG”) access operations and programming.

2. **PEG Access/Community Programming/Access and Technology Funding - current,, Licensee (Comcast)**

The current Licensee’s PEG Access. Community Programming, and Access and Technology funding obligations, pursuant to its Renewal License (Article 6 of Renewal License), include the following:

Section 6.1 PEG ACCESS GENERALLY

The Licensee shall continue to be responsible for providing: (i) public, educational and governmental (“PEG”) access, and (ii) government and community (hereinafter referred to as “Community Programming”-programming, facilities, equipment and support to all residents of the

Town and to students attending and using such programming, facilities and equipment at the Acton-Boxborough Regional Schools and the Acton Public Schools, pursuant to the provisions of this Article 6. To this end, the Licensee shall:

- a) Continue to maintain and operate the PEG/Community Programming studio and staff in accordance herewith;
- b) Continue to employ the staff for Acton PEG/Community Programming in accordance herewith;
- c) Continue to manage the annual budget for Acton PEG/Community Programming in accordance herewith;
- d) Purchase, install, operate, maintain and repair equipment, with the funds allocated for such purposes in accordance herewith;
- e) Schedule, operate and program the PEG Access Channels provided in accordance herewith;
- f) Purchase PEG/Community Programming equipment in accordance herewith;
- g) Continue to manage PEG/Community Programming in accordance herewith;
- h) Establish rules, procedures and guidelines for the use and operation of the PEG Access Channels in accordance herewith;
- i) Provide outreach, notices and other support services to PEG Access Users;
- j) Assist PEG Access Users in the production of Programming of interest to Subscribers;
- k) Accomplish such other tasks relating to the operation and management of the PEG Access channels, facilities and equipment as appropriate and necessary.

Section 6.2 PEG ACCESS FACILITIES AND STAFF

- a) The Licensee shall continue to operate, equip, maintain, staff and manage, at no charge to the Town or Access Users, a complete color television Studio at the Acton-Boxborough Regional High School for the production and cablecasting of PEG/Community Programming. The studio and all equipment shall be maintained in good and safe working order.
- b) The studio shall be open not less than forty (40) hours per week, including some evening and weekend hours, for PEG Access

Users. The studio shall be staffed not less than thirty-five (35) hours per week, including some evening and weekend hours, as measured on a quarterly basis, by the Access Coordinator, The specific hours shall be based upon the reasonable needs of PEG studio users to be arrived at by mutual agreement between the Licensee and the Issuing Authority or its designee, and shall be subject to approval by the Superintendent of the Acton-Boxborough Regional Schools or his/her designee. The Licensee shall inform the public of the days and hours when the studio will be open and also available for use by appointment. The Licensee shall notify, in writing, the Issuing Authority and the Cable Advisory Committee of any change in the regular hours of the studio. Notice of such change shall also be cablecast by the Licensee on the Public Access Channel, with notice also being published, by the Licensee at its cost, no less than twice in a local newspaper of general distribution in the Town. The Licensee shall make good faith efforts to reasonably accommodate requests for appointments unless prior scheduling commitments conflict with such request(s).

- c) Notwithstanding the provisions of subparagraph (b), above, the Audiovisual Media Department Director (or successor position) and his/her designees, shall have priority use of the studio Monday to Friday from 7:00 a.m to 3:00 p.m. At all other times, the Audiovisual Media Department Director (or successor position) and his/her designees shall have the right to use the studio as long as it does not unreasonably interfere with the PEG/Community Programming operation of the studio.
- d) The studio shall be for the exclusive use of Acton PEG users (which shall include students at Acton-Boxborough Regional Schools and the Acton Public Schools) and the Community Programming staff for Acton PEG Channel purposes only, on a first come, first-serve basis, The Acton-Boxborough Regional Schools and the Acton Public Schools, and any teachers and staff assigned by them, shall have full use of the studio for any educational purpose, including, but not limited to the teaching of classes and for instruction. The Licensee and the Schools shall cooperate with respect to the use of the studio. The studio shall not be used for any other purpose or for the benefit of any other persons than those referenced herein, unless otherwise agreed to by the issuing Authority or its designee in advance of such intended use.
- e) The Licensee shall continue to employ, at its sole cost, one full time (40 hours per week) Access Coordinator at the above

referenced studio. This Access Coordinator shall provide the combined functions of Access Coordinator, PEG Producer and PEG Production Studio Technician. The responsibilities of this staff person shall include:

- i. Producing and cablecasting PEG/Community Programming as defined and specified in Section 6.6
- ii. Providing outreach services to encourage Acton residents, students attending public schools in Acton, and public and private institutions and groups, including, but not limited to senior citizen and youth organizations in Acton to use the studio and to produce PEG programming. A minimum of eighty (80) hours per year shall be spent on outreach services to the general public (not including students), including, but not limited to informing the residents of the Town of PEG Access and opportunities for participation and speaking to civic groups. These outreach services shall be documented in writing, with a copy provided to the Issuing Authority and Cable Advisory Committee no less than once per year;
- iii. Assisting PEG volunteers in the production of video programming of interest to Subscribers a minimum of fifteen (15) hours per week, if less than fifteen (15) hours are required for such assistance, the staff person shall spend the difference between the time spent for this purpose and said fifteen (15) hours either producing programming of interest to Subscribers in Acton ("Community Programming"), including such programming suggested by Town residents, or actively seeking PEG producers;
- iv. Teaching a minimum of six (6) sets of training classes per year (not only students) for residents of the Town. Notices of training classes shall be cablecast on the appropriate bulletin board no less than four (4) times a day during the two (2) weeks prior to the beginning of the training class and notice shall be published at least once in a local newspaper of general distribution in the Town;
- v. Conduct regular training classes for Acton students, in coordination with the Acton-Boxborough Regional Schools and/or the Acton School Department, throughout the school year and in the summer, on the skills necessary to produce quality PEG Access programming;

- vi. Provide assistance to the Acton-Boxborough Regional Schools and the Acton Public Schools in the development and production of educational programming;
- vii. Cooperate with the Acton Memorial Library in the development of a coordinated program of PEG Access education and skills training; and
- viii. Engage in such other tasks relating to the operation, scheduling and/or management of PEG Access Channels and PEG/Community Programming facilities and equipment, as appropriate and necessary for an access studio.

Unless otherwise engaged in one of the activities referenced above, the Access Coordinator shall be providing PEG Access services at the studio, The Licensee shall provide the Issuing Authority or its designee with a quarterly report regarding the progress of the Access Coordinator in relation to the responsibilities set out in this Section 6.2.

- f) A Production Technician, who shall not be the same individual as the PEG Access Director, shall spend a minimum of forty (40) hours per month, as averaged over a three (3) month period, at the Acton studio working on and assisting with technical and related matters arising from or related to the Acton PEG channels and their operation and distribution.
- g) The Licensee shall maintain an accurate time sheet(s) of all hours worked by the Access Coordinator and the Production Technician at the Acton studio. A copy of that time sheet(s) shall be provided to Issuing Authority or its designee at the end of every month.
- h) The Licensee recognizes that the staffing of the studio by the Licensee is an important and sensitive issue. The Licensee shall take every step necessary in the staffing process and in the management of its staff at the studio to insure the appropriate conduct and environment required in an institution of learning. The Licensee shall consult with the Superintendent of the Acton-Boxborough Regional Schools or the Superintendent's designee (hereinafter referred to as the Superintendent in this subparagraph) whenever deemed appropriate or necessary by the Licensee or requested by the Superintendent. Should the Superintendent contact the Licensee's program director, or other person in charge of, or responsible for, the Licensee's staff at the Acton studio, with information that there is an issue with conduct of one of the Licensee's employees, the Licensee shall meet with the Superintendent and shall work in good faith to properly address the matter. if the Licensee does not, in the reasonable opinion of the

Superintendent, properly address the matter, the Superintendent shall have the right to request the removal of the subject employee from the Acton studio and their replacement by another qualified person. The Town recognizes that the replacement of the employee by another qualified person may, in some instances, not be immediate. Until such time as a qualified replacement employee is assigned to the Acton studio, the Licensee shall make its best effort to provide the coverage and fulfill the obligations required of it pursuant to this Section 6.2 of this Renewal License. However, nothing herein shall relieve the Licensee from diligently trying to fill the subject position which is vacant as a result of the Superintendent acting in accordance with the provisions of this subparagraph (h).

Section 6.3 MINIMUM PEG ACCESS BUDGET FOR ACCESS STAFF

- a) The annual budget for the operation of the studio, not including: (i) utility costs; (ii) insurance costs, including, but not limited to workers compensation insurance, comprehensive general liability insurance and property insurance; (iii) Internet equipment and services; (iv) cleaning services; and accounting and legal services, shall be not less than Fifty Thousand Dollars (\$50,000) for the first year of this Renewal License and shall increase each year thereafter by five percent (5%).
- b) The Licensee shall not include any amounts related to operating costs for the studio, referenced in Section 6.3(a) above, as external costs, as defined and used in the FCC regulations, in any future subscriber rate filing, nor as operating costs in a cost of service rate filing, nor shall such operating costs be separately itemized, added on to maximum permitted rates, or otherwise incorporated into charges to Subscribers.

Section 6.4 PEG ACCESS/COMMUNITY PROGRAMMING EQUIPMENT AND FACILITIES

- a) All studio and portable equipment deemed by both the Licensee and Issuing Authority or its agent(s) to be in good condition shall continue to be deployed in the studio. An inventory of the equipment which shall continue to be deployed shall be provided to the Issuing Authority within thirty (30) days of the Effective Date of this Renewal License.
- b) The Licensee shall, no later than February 1, 2001, expend the sum of One Hundred Ten Thousand Dollars (\$110,000) as follows: (i) Ten Thousand Dollars (\$10,000) to rewire the studio; and (ii) One

Hundred Thousand Dollars (\$100,000) for studio and portable equipment. Any portion of the Ten Thousand Dollars not used for the rewiring of the studio shall be expended on studio and portable equipment.

- c) The Licensee shall also provide, at its sole cost and expense, new studio and portable equipment within three (3) months of the fifth anniversary of the Effective Date of this Renewal License costing and valued at no less than Fifty Thousand Dollars (\$50,000).
- d) With respect to studio and portable equipment provided by the Licensee pursuant to Subparagraphs (b) and (c), above, prior to the purchase of any equipment, but after initial deliberations with the Issuing Authority or its designee, the Licensee shall provide said Issuing Authority or its designee for its approval, a list of the new' equipment proposed to be provided or purchased, together with the actual quoted price to be paid for each item. Within thirty' (30) days after the completion of the rewiring and the installation of equipment, the Licensee shall submit to the Issuing Authority, a copy of the actual invoices for all services (including installation) and equipment. In the event of a disagreement between the Town and the Licensee as to the type of any equipment to be purchased and/or the cost, the Issuing Authority shall have the right to require the Licensee to provide a capital grant in the same amount to the Town for the purchase of such new equipment. The Licensee shall not be in non-compliance with the time periods set out in Subparagraphs (b) and (c) above, if the delay results from the Issuing Authority review or a disagreement regarding equipment prior to any decision by the Issuing Authority to require a capital grant in lieu of equipment pursuant to this subparagraph.

[e] The Licensee shall not include the first One Hundred Forty Thousand Dollars (\$140,000) in capital costs for the studio as external costs, as defined and used in the FCC regulations, in any subscriber rate filing, nor as capital or other costs in a cost of service rate filing, added on to maximum permitted rates or otherwise incorporated into charges to Subscribers.

[f] The Licensee shall own (other than as provided for in the final sentence of this subparagraph (d)), install, maintain, repair, insure and replace all PEG equipment purchased pursuant to this Section 6.3 at its sole cost and expense. All such equipment shall continue to be deployed in the studio and portable equipment shall be available at all reasonable times for live transmission or video taping outside the studio, In the event that any such equipment must be repaired and such repair shall take in excess of fourteen (14) days, the Licensee shall provide replacement equipment. Any permanent affixations to the studio, including, but not limited to

internal wiring, conduits or fixtures, shall become the property of the Acton-Boxborough Schools, at such time, if any, that the School Superintendent notifies the Licensee in writing of the same.

[g] The Licensee shall, upon reasonable request by the Issuing Authority or its designee, provide the use of a mobile production van to the Town or its designee. Said mobile production van shall be provided to the Town or its designee at the Licensee's sole cost and expense up to twelve (12) times per year. Thereafter, beginning on the 13th day of use in any one year, the cost of the van to the Town or its designee shall be Seven Hundred Fifty Dollars (\$750) per day for each day the van is used thereafter that calendar year. The Licensee shall not include any amounts related to the provision of a mobile production van as an external costs, as defined and used in the FCC regulations, in any subscriber rate filing, nor as capital or other costs in a cost of service rate filing, nor shall such costs be separately itemized, added on to maximum permitted rates or otherwise incorporated into charges to Subscribers. All parties, including Town Departments and the Acton-Boxborough Regional Schools shall obtain the approval of the Issuing Authority or its designee prior to obtaining use of the van.

Section 6.7 COMMUNITY PROGRAMMING

- a) The Licensee hereby voluntarily commits to cablecast live, unless otherwise requested by the Issuing Authority or the subject governmental body being cablecast, the below listed events of interest to Acton Subscribers (hereinafter also referred to as "events" or singularly as an "event"). All cameras shall be staffed by the Licensee unless otherwise provided herein or agreed to by the Issuing Authority, its designee or the subject government body being cablecast. If the Licensee is unable in a particular instance to have the Access Coordinator or other trained and qualified employee of the Licensee cablecast one of the below listed events, the Licensee may provide a trained and qualified volunteer to cablecast said event. If the Licensee is unable to provide an employee or a volunteer, as referenced above, to cablecast the event, and is aware of such inability at the time, it shall notify the Issuing Authority or its designee of such inability at least seventy-two (72) hours prior to the event, and shall continue to communicate with the Issuing Authority or its designee regarding any changes in the particular situation or alternate personnel or volunteers that may become available. If the Licensee in a particular circumstance becomes aware of its inability to so live cablecast an event within said seventy-two (72) hour period, it shall nevertheless make its best effort to have the event cablecast

live. Notwithstanding the above processes, the Issuing Authority recognizes that despite the best efforts of the Licensee, there may be some events which are not cablecast because of particular circumstances.

- i. All meetings of the Board of Selectmen;
- ii. All town meetings;
- iii. All Acton and Acton Boxborough School Committee meetings;
- iv. Significant public, town government and school events, including:

Acton-Boxborough Regional High School graduation

Other significant public, town government and school events within the Town, Both parties shall work cooperatively to make determinations in good faith regarding the significance of particular events, recognizing the significance of public, town government and school events to the Subscribers;

- v. Bulletin Boards, which shall be the responsibility of the Licensee with the cooperation of both the Town and school administrations. The Town and/or school administrations shall have the right to maintain the respective bulletin board(s) serving their needs if they choose to do so. In such event, the Licensee shall provide the managerial and technical support required for such operation.
- b) The Licensee shall also cablecast PEG programming produced by PEG Access volunteers or pursuant to Section 6.2(e)(iii), above.
- c) The Licensee is encouraged to cablecast live, or taped if a meeting cannot be cablecast live for scheduling reasons, significant events which are produced in, by, or for or to be shown on Boxborough Public, Educational and Governmental Access Channels, which are of interest to Acton Subscribers.
- d) Nothing herein shall require the Licensee to cablecast obscene programming or programming whose content is otherwise in violation of applicable federal or state law.
- e) In the event the Issuing Authority grants other non-exclusive licenses during the term of this License, the Licensee agrees to develop and implement a written operating procedure, by which, subject to approval by the Issuing Authority, government meetings, which are cablecast pursuant to Section 6.7(a) above, receive live coverage and are cablecast over the cable system(s) without

duplication of personnel and equipment present at the meetings, and that the live meetings are carried on the respective cable systems through an interconnection. The cost of an interconnection shall be borne by the additional license(s).

Section 6.9 ACCESS AND TECHNOLOGY FUND

- a) The Licensee shall provide the Town with a grant for PEG access and technology, including, but not limited to I-NET related facilities and equipment, cable system end-user equipment, and PEG Access within thirty (30) days after the Effective Date of this Renewal License and on each anniversary date thereafter during the term of this Renewal License in the following amounts: Year One of the Renewal License - 3% of Gross Annual Revenues or Seventy-Five Thousand Dollars (\$75,000), whichever is greater. Year Two of the Renewal License - 3% of Gross Annual Revenues or Seventy-Eight Thousand Seven Hundred Fifty Dollars (\$78,750), whichever is greater. Years Three through Ten of the Renewal License - 3% of its Gross Annual Revenues. The Gross Revenue amounts shall be calculated, as defined in this Renewal License, based on the twelve (12) month period ending the prior June 30th.
- b) The Licensee may request in writing a report of the expenditures from the Fund from the Issuing Authority within thirty (30) days of the close of the Town's fiscal year, and the Issuing Authority will provide a report within sixty (60) days of receiving the request.
- c) The Issuing Authority shall be responsible for all decisions as to how funds from the Access and Technology Fund shall be allocated.
- d) Any equipment purchased by the Town with funds from the Access and Technology Fund shall be owned, maintained and replaced by the Town or its designee.
- e) In the event that applicable federal and state law or regulation allow the Licensee to incorporate any cost of the service to public buildings in its subscriber rates, the Licensee may only do so to the extent allowed under said laws and regulations, including, but not limited to, compliance with 47 CFR 76.922. If requested to do so by the Issuing Authority, the Licensee shall provide a detailed written explanation of any such costs, in sufficient detail to enable the Issuing Authority to understand the costs and how they have been allocated, passed-through. Line-itemed or otherwise incorporated in charges to Subscribers. Unless agreed to otherwise, the Licensing Authority shall provide said written explanation of costs to the Issuing Authority, in writing, within fourteen (14) days of a written request to do so by the Issuing Authority.

The following statement is responsive to Items III(L)(1)-(2) above. No questions or issues were raised in this Section of the IAR. Verizon will discuss its PEG Access obligations during negotiations.

3. **PEG Access Annual Funding — To Be Provided By Applicant (Verizon)**

- a) The Applicant's/Licensee's PEG Access Annual Funding should be Five Percent (5%) of the Licensee Gross Annual Revenues, and shall be paid quarterly to the Issuing Authority and/or its designee(s), within forty-five (45) days of the close of each quarter.
- b) "Gross Annual Revenues" shall mean all consideration of any kind or nature including without limitation cash, credits, property and in-kind contributions (services or goods) derived by Licensee from the operation of License's Cable System to provide Cable Service within the Town. Gross Annual Revenue shall include, but not be limited to all consideration paid to the Licensee and its Affiliates (to the extent either is acting as a provider of a Cable Service authorized by this License). Gross Revenue shall include, but not be limited to, consideration from:
 - i. Fees charged to Subscribers for any and all Cable Service provided by the Licensee, including for Basic Service, Expanded Basic Service, Premium Service, Pay Cable, Pay-Per-View, digital Cable Service, and video-on-demand;
 - ii. Cable Service fees, including, but not limited to, fees and/or charges received from Subscribers for installation, reconnection, downgrade, upgrade and any similar fees and charges;
 - iii. Fees from third party unaffiliated programmers for leased access Programming;
 - iv. Any franchise fee and license fee imposed on the Licensee by this Agreement (including, but not limited to, any fees for support of PEG Access operations and PEG Access capital and facilities, that is/are passed through and paid by Subscribers);
 - v. Fees paid on all Subscriber fees;
 - vi. Interest collected on Subscriber fees and/or charges;
 - vii. Commercial Cable Service Subscriber revenues;
 - viii. Fees paid for channels designated for commercial use;

- ix. Converter, remote control and other equipment rentals, and/or leases or and/or sale;
- x. Advertising revenues. Gross Revenue includes a pro rata portion of all revenue derived by Licensee or its Affiliates pursuant to compensation arrangements for advertising derived from the operation of Licensee's Cable System to provide Cable Service within the Town. The allocation shall be based on the number of Subscribers in the Town divided by the total number of subscribers in relation to the relevant regional or national compensation arrangement. Advertising commissions paid to third parties shall not be netted against advertising revenue included in Gross Revenue;
- xi. Compensation received by Licensee or its Affiliates that is derived from the operation of Licensee's Cable System to provide Cable Service with respect to commissions that are paid to Licensee as compensation for promotion or exhibition of any products or services on the Cable System, such as a "home shopping" or a similar channel; and
- xii. Revenue of an Affiliate derived from the Affiliate's provision of Cable Service shall be Gross Revenue to the extent the treatment of such revenue as revenue of the Affiliate and not of Licensee has the effect (whether intentional or unintentional) of evading the payment of franchise fees which would otherwise be paid to the Town. In no event shall revenue of an Affiliate be Gross Revenue to the Licensee if such revenue is otherwise subject to franchise fees to be paid to the Town.

Gross Revenue does not include any revenue not actually received, even if billed, (e.g., bad debt - provided, however, that all or any part of any such actual bad debt that is written off, but subsequently collected, shall be included in Gross Annual Revenues in the period so collected.)

The following statement is responsive to Item III(I)(3)(a)-(b) above. Verizon understands how important PEG Access programming is to the Town. As such, Verizon agrees to provide annual PEG Access funding to the Issuing Authority and/or its designee(s) in the amount of up to five percent (5%) of Gross Revenues, as more specifically determined by the parties during negotiation (as defined in Section 1.17 of the Proposed License submitted to the Town).

c) Bundled Services

In the event that the Licensee or any Affiliated, during the term of this License, bundles, ties, or combines the sale of some or all of its services, whether authorized or not by this License, and if it is necessary to separately determine Gross Revenues attributable to particular

services in order to determine fees owed to the Town, the following proportional methodology shall be applied:

The combined bundled revenues derived from a Subscriber shall be allocated to each of the bundled, tied or combined services in the proportions that the standard published rate for each of the services, as realistically offered by the Licensee or an Affiliate to, and paid by, Subscribers who receive only the individual service, bears to the sum of such rates for all of the bundled, tied or combined services;

except that the Licensee may use an alternative methodology if the results of such alternative allocation reasonably approximate the results which would be derived from the proportional methodology specified in this Section. The Licensee shall bear any burden of proof regarding whether the actual methodology used reasonably approximates the proportional methodology.

Verizon has addressed the treatment of bundled services in its Proposed License. See Proposed License, § 6.2.3.

4. **PEG Access and Technology Capital Funding -Amount**

- a) The PEG Access/Technology capital funding for to be provided by the Applicant/Licensee should, over the first ten (10) years of the License, be the equivalent of the incumbent Licensee's Institutional Network and PEG Access capital payments:

$$923,583 + 160,000 = \$1,083,583$$

- b) Given the new entry into cable service by the Applicant in the Town, the Town is prepared to accept the above referenced capital payment over the course of the first ten (10) years of the License term. Said payments must not, however, be back loaded, and they must be guaranteed regardless of the status of federal or state law or legal options provided by said law for the applicant. (See also Severability Section (S-I) below.)
- c) The PEG Access/Technology Capital payment(s) for the final five (5) years of a fifteen (15) year License must meet the anticipated cable related needs and interests of the Town, including the expansion of the Town's (including the Public School's) PEG Access facility and equipment needs, If requested by the Applicant, the Town will provide a proposes PEG Access capital plan for the final five (5) years of the proposed License term.

The following statement is responsive to Items III(I)(4)(a)-(c) above. Verizon proposes to provide the Town and/or the Access Corporation, as directed by the Town, with a grant for PEG Access equipment and facilities, the exact amount of such grant to be negotiated with the Town.

5. **Institutional Network (Operational and Associated Equipment) Annual Funding**

The Applicant/Licensee should provide institutional Network (Operational and Associated Equipment) Annual Funding in an amount roughly equivalent to the I-Net maintenance costs currently incurred by the incumbent cable operator. (See Section K-3 above annual I-Net maintenance cost - \$16,984).

Please see response to Items III(I)(3)(a)-(b) and III(I)(4)(a)-(c) above.

6. **PEG Access Channels**

a) **Three (3) PEG Access channels**

Three (3) PEG Access Channels are required - One channel for each of the following: Public Access, Educational Access and Government Access. (See also Section regarding PEG transition to digital formats).

Verizon agrees to provide capacity on its Basic Service Tier three (3) dedicated Channels for Public Access, Educational Access and Government. See Proposed License, § 6.1.1.

b) **Fourth (4th) PEG Access Channel**

The Issuing Authority may initiate a process to determine the need for and merits of a fourth PEG Access Channel. Said process shall include a survey of Subscriber interest in programming options which shall be conducted with input from the Licensee and at the Licensee's expense. After the completion of said process and a full and fair review of the information obtained, including the survey, at a public hearing at which the Licensee may make a presentation on the issue, the Issuing Authority shall determine whether a fourth PEG channel shall be added. If the issuing Authority determines that a fourth PEG Access Channel shall be added, the Licensee shall have three (3) months in which to add the Access Channel to the programming line-up.

Verizon is willing to discuss this issue in more detail during negotiations.

c) **Location of PEG Channels**

Any channel assignment must be to a channel within the first twenty-two (22) channels. The Licensee shall locate the PEG channels on the same channel numbers as currently on the cable system of the incumbent cable operator unless otherwise prohibited by a current contractual obligation. in

analog portions of the system, if any, the Licensee shall place PEG channels at frequencies not susceptible to ingress.

Verizon will locate all PEG channels on the Basic Service tier and will attempt to honor the Town's requests with regards to channel locations. However, at this time Verizon cannot commit to specific PEG channel locations. Verizon is willing to discuss this issue with the town during negotiations. See Proposed License, § 6.1.2.

d) *Movement of PEG Channel Placement/Reimbursement*

While the Licensee retains sole discretion for channel placement, the Licensee shall attempt to minimize the number of access channel assignment changes. The Licensee shall not move or otherwise relocate the channel locations of the PEG Access Channels without the advance, written notice to the Issuing Authority. In the event that the Licensee does relocate a PEG Access Channel, the Licensee shall provide reasonable assistance, including financial and advance marketing assistance to the Town and Schools (and an Access Corporation, if any).

Verizon will comply with federal law with regards to channel relocations. Verizon does not propose to reimburse the Town for costs associated with channel relocations.

e) *Listing of PEG Programming On Licensee's Electronic Program Guide*

The Licensee shall assist the Issuing Authority and its designee(s) so that PEG Programming can be listed on the Licensee's electronic program guide. The Licensee shall not be responsible for such electronic program guide listing(s) absent the timely cooperation of the Issuing Authority and its designee(s).

Verizon does not plan to list the Town's PEG programming on its interactive program guide.

f) *PEG Channel Quality*

The Licensee shall monitor the PEG Access Channels for technical quality and shall ensure that they are maintained at standards the same or better than those which apply to the Cable System's commercial channels and shall comply with the applicable FCC Technical Standards, provided, however, that the Licensee is not responsible for the production quality of PEG Access Programming productions, nor for any deficiencies in the source signal it receives from any party over which the Licensee has no control.

Verizon will transmit the Town's access programming to its subscribers at the level of quality in which it is received from the remote origination points. Verizon personnel will monitor signal quality for all of the channels in its system at the SHE and VHO and will make adjustments as needed on a realtime basis to ensure good signal quality. In addition, Verizon will maintain a toll-free number available 24 hours per day, 7 days per week which subscribers can call for assistance if they have any signal quality concerns. If poor signal quality is caused by a problem with Verizon's network, they will be referred to the technical teams at the SHE and VHO for resolution.

g) Non-Commercial Programming

The PEG Access Channels shall not be used to provide for-profit commercial programming. Nothing shall prohibit the Issuing Authority or its designee from having memberships, sponsorships, underwriting or acknowledgments (such as the underwriting and acknowledgments displayed by the Public Broadcasting System), to the extent not otherwise prohibited by applicable law or regulations.

Verizon concurs that the Town or its designee shall not use the PEG Access channels to provide for profit commercial programming. Verizon acknowledges that the Town or its designee will be able to obtain PEG memberships, sponsorships, underwriting or acknowledgements (such as underwriting and acknowledgments accepted by PBS), to the extent not otherwise prohibited by applicable law and regulation.

7. PEG Access Cablecasting

a) Carriage of current analog PEG programming

Acton citizens currently have the benefit of a wide range of PEG programming, including government meetings, school events, sporting events, and a critically-acclaimed show for senior citizens. Our citizens should continue to have access to all of this programming independent of their choice of cable provider.

The Licensee shall, within sixty (60) days of the Effective Date of the License, be required to obtain all PEG Access Programming (unless lawfully prohibited by another party), including all PEG Access Programming originating from Town locations, and transmit (cablecast) all such PEG Access Programming to its Subscribers. Verizon shall explain in reasonable detail, its plans and methodology to comply with this requirement. The Licensee may select its point(s) of connection and interconnection with buildings, structures and/or facilities, subject to consulting with the Issuing Authority and its designee(s) regarding such locations and further subject to the approval of the Issuing Authority and/or its designee(s). The Town shall cooperate with the Licensee, but

only to the extent within the Town's authority. The Town and/or its designee(s) shall not be required to provide video by means of any format other than composite video format.

b) PEG transition to digital formats

It is anticipated that at a future time PEG programming will transition to a digital format. Licensee shall be prepared to accept video from the Town and/or its designee(s) in appropriate industry-standard digital formats, mutually agreed upon.

Verizon's proposed method of accessing and transmitting PEG programming in the Town is consistent with customary practice elsewhere in Massachusetts where there are competitive cable providers: by interconnection with the incumbent cable provider, the Town or the Town's designee. Verizon will use reasonable efforts to negotiate the terms and conditions of interconnection. The technical details of such interconnection will be subject to these negotiations, but may be accomplished by direct cable, microwave link, satellite or other method of connection. Verizon is willing to discuss this issue in more detail during negotiations.

8. Video (PEG Access Channels) On Demand

The Licensee shall provide the Issuing Authority and/or its designee(s) with PEG Access capacity, for Video Programming that may be accessed by Subscribers, at no cost for such selection, through use of standard digital equipment compatible with the Cable System using the Grantee's "on demand" capabilities. The PEG Access Programming shall be as accessible as commercial Programming to Subscribers on all relevant parameters, including menu access, but not including storage capacity. The Licensee shall provide storage capacity of up to twenty (20) hours of on-demand PEG Access Programming at any given time. The Licensee shall provide the Town and/or its designees the means for conveniently and timely programming the Licensee's servers from the PEG Access studio either directly or through the Licensee's personnel or agents. The Issuing Authority and/or its designee(s) shall manage what specific Access Programming is loaded in the allocated storage capacity. The Issuing Authority and the Licensee may by mutual agreement arrange for additional capacity on terms to be determined at the time of such agreement.

9. Additional Cable System Capacity For PEG Access

a) In addition to video-on-demand, the Licensee shall provide and/or dedicate additional system capacity or facilities in a form other than a forward PEG Access channel to support the distribution of

PEG Access content to Subscribers if required in accordance with the within provision. Such additional system capacity or facilities may include, but shall not be limited to, interactive Service or Programming.

- b) Proposals for additional system capacity or facilities to support the distribution of PEG Access content to Cable Service Subscribers, not otherwise agreed to by the Issuing Authority and the Licensee, shall be evaluated using the following criteria and process:
 - i. The Issuing Authority shall submit in writing to the Licensee, the proposal for additional system capacity or facilities (including its application) to support the distribution of PEG Access content to Subscribers. The proposal shall describe:
 - (a) The use or functionality for which the capacity and/or facilities will be used and include any current mechanisms or operating expenditure this new functionality might be used to replace;
 - (b) Examples of its use;
 - (c) The cable-related community need that the additional system capacity or facilities is intended to address, how such community need has been ascertained, and how that need will be met by PEG application requested;
 - (d) The equipment and facilities, initial and ongoing operating and capital expenditures necessary to implement the request;
 - (e) The estimated cost of the additional system capacity or facilities (or its application);
 - (f) How the use or functionality can be sustained, financially;
 - (g) Why the use or functionality requested is consistent with current or planned PEG Access; and
 - (h) Other reasonable materials deemed necessary by the Licensee to consider such proposal.
 - ii. The Licensee shall review and respond to the Issuing Authority's proposal for additional system capacity or facilities (including its application) to support the distribution of PEG Access content, as follows:
 - (a) Provide the Issuing Authority with a written acknowledgment of receipt of the proposal and

confirmation that the proposal is complete. If the proposal is not complete, the cable operator shall so inform the Issuing Authority within forty-five (45) days, together with an explanation of how the request is incomplete and a description of the information that is needed to complete the request.

- (b) Once a proposal is complete, the Licensee shall review and respond in writing to the request within sixty (60) days. If an extension is necessary for adequate review or extenuating circumstances, the Licensee shall inform the Issuing Authority of its need for an extension, including a reasonable time frame for responding to the proposal. The Issuing Authority shall grant any reasonable request for an extension of time,
- (c) If requested by the Issuing Authority, the Licensee shall offer the Issuing Authority or its designee(s), an opportunity to discuss the proposal with regard to the criteria listed in Section 6.1 l(b)(ii)(d) below; and mutually investigate possible alternatives should any aspect of the proposal be problematic.
- (d) The Licensee shall evaluate the Issuing Authority's proposal for additional system capacity or facilities (including its application) to support the distribution of PEG Access content to Subscribers using the following criteria — whether the proposal is reasonable to meet the cable-related community needs and interests, taking into account the cost of meeting such needs and interests. In considering this criteria, the Licensee may consider, in addition to other relevant factors, whether it has the capacity to meet the proposal taking into consideration existing and other potential uses.
- (e) If the Licensee denies a proposal for additional system capacity or facilities (including its application) to support the distribution of PEG Access content to Subscribers, it must provide a written explanation, addressing the criteria in Section 6.1l(b)(ii)(d) above, and the grounds for denial.
- (f) If the Issuing Authority disagrees with the Licensee's determination with respect to the Issuing Authority's request for additional system capacity

or facilities (including its application) to support the distribution of PEG Access content to Subscribers, the request shall be forwarded by both parties to a mutually agreed upon third party who is experienced with or knowledgeable, about PEG Access for a determination as to whether the Issuing Authority's request is reasonable. The determination of the mutually agreed upon third party shall be final, without further right of appeal by either party, however the Issuing Authority shall not be prohibited from making the same or a similar proposal to the Licensee at a later time, as long as said proposal is not made within two (2) years of the submission date of the earlier proposal. To the extent, if any, said third party concludes that all or a part of the Issuing Authority's proposal should be implemented, the Licensee shall implement such additional system capacity or facilities (including its application) to support the distribution of PEG Access content to Subscribers within the time specified by the third party or such later date as may be granted by the third party pursuant to a subsequent request for an extension of time by the Licensee.

The following statement is responsive to items III(I)(8)-(9) above. Verizon does not propose to offer PEG Access Channels on Demand or to provide additional capacity on the FTTP network for PEG programming. Verizon is willing to discuss these issues in more detail during negotiations.

10. *PEG Access Costs*

There shall be no charges by the Licensee to the Town, its designee(s) or PEG Access Users for transmitting content over the PEG Access Channels.

As stated previously, Verizon will carry the Town's PEG Access channels as part of its Basic Service tier. Verizon reserves the right to pass through costs associated with PEG programming to the extent permitted by law.

11. *PEG Access Memberships Sponsorships. Underwriting and Acknowledgments*

Nothing in the Final License shall prohibit the Issuing Authority or its designee(s) from having memberships, sponsorships, underwriting or acknowledgments (such as underwriting and acknowledgments accepted by PBS), to the extent not otherwise prohibited by applicable law and regulation.

Verizon’s proposed license does not prohibit the Issuing Authority or its designee from having memberships, sponsorships, underwriting or acknowledgments (such as underwriting and acknowledgments accepted by PBS), to the extent not otherwise prohibited by applicable law and regulation.

M. Payment By The Licensee

1. **Late Payment**

In the event a payment required by the License is not tendered on or before the fixed date(s), interest due on such fee shall accrue from the date due at a percentage rate to be agreed upon between the Town and the Applicant prior to the grant of a License and reflected in the License. Such rate should, at a minimum, be two percent (2%) above the prime rate, and should not be limited to any set amount, but should rise and fall with the prime rate of interest. Any such interest payment shall not be deemed to be part of the License Fees to be paid to the Town pursuant to Section 7.1 hereof and shall be within the exclusion to the term “franchise fee” for requirements incidental to enforcing the License pursuant to Section 622(g)(2)(D) of the Cable Act.

2. **Audit/Recomputation/Limitation on Action**

- (a) Tender or acceptance of any payment made pursuant to the License shall not be construed as an accord that the amount paid is correct, nor shall such acceptance of payment be construed as a release of any claim that the Issuing Authority may have for additional sums including interest payable under the License. All amounts paid shall be subject to audit and recomputation by the Issuing Authority.
- (b) If the Issuing Authority has reason to believe that any such payments are incorrect, the Licensee shall, upon a request from the Issuing Authority, provide the Town with additional information documenting and verifying the accuracy of any such payment(s). In the event that the Issuing Authority does not believe that such documentation supports the

accuracy of such payment(s), the Issuing Authority may conduct an audit of such payment(s). The Licensee shall be responsible for making available to the Issuing Authority or its designee(s) all records which the Issuing Authority or its designee(s) reasonably deem necessary or relevant to determine the accuracy of a payment or its recomputation.

- (c) If after such audit and recomputation, an additional payment is owed to the Town, such fee shall be paid within thirty (30) days after demand by the Town. If an additional payment is owed by the Licensee to the Town, the Licensee shall be responsible for the costs of such audit. The interest on such additional fee shall be charged from the due date.
- (d) The period of limitation for recovery by the Town of any payment required by the License shall be no less than the applicable statute of limitations for such action.

The following statement is responsive to Items III(M)(1)-(2). Verizon is willing to discuss these issues with the Town during negotiations.

N. Rates and Charges

1. Rate Regulation

The Town reserves all rights under applicable law and regulation, throughout the term of the License, with respect to rate regulation.

As a competitive provider of cable services, Verizon is not subject to rate regulation by the Town or the Commonwealth.

2. Franchise Related Costs - Externalizing, Line-Iteming and Passing-Through

- a) In the event that applicable state and/or federal laws and/or regulations allow' the Licensee to externalize, line-item and/or otherwise pass-through any franchise related costs, the Licensee may only do so in compliance with said laws and/or regulations.
- b) If requested to do so by the Issuing Authority, the Licensee shall provide a written explanation of any externalized, line-itemed and/or passed-through such PEG Access costs, in sufficient detail

to enable the Issuing Authority to understand how such costs have been externalized, line-itemed and/or passed-through as allowed or required by applicable law(s). Unless agreed to otherwise, the Licensee shall provide said written explanation to the Issuing Authority, in writing, within thirty (30) days of a request to do so by the Issuing Authority.

The following statement is responsive to Items III(N)(2) above. Verizon reserves the right to externalize, line item, or pass through its franchise related costs to the full extent permitted by law. Verizon is willing to discuss these issues with the Town in more detail during negotiations.

O. Insurance, Performance Bond/Letter of Credit, and Indemnification

1. Insurance

At all times during the term of the License, including the time for removal of facilities provided for herein, the Licensee shall obtain, pay all premiums for, and file with the Issuing Authority, on an annual basis, copies of the certificates of insurance for the following policies:

- a) A commercial general liability policy, written on an occurrence basis, on all claims on account of injury to or death of a person or persons occasioned by the construction, installation, maintenance, operation or removal of the Cable System or alleged to have been so occasioned, with a minimum liability of One Million Dollars (\$1,000,000.00). The policy shall provide blanket contractual liability insurance for all written contracts, and shall include coverage for personal injury, broad form property damage, products and completed operations liability, independent contractor's liability, coverage for property damage from perils of explosion, collapse or damage to underground utilities, commonly known as XCU coverage.
- b) A property damage insurance policy, written on an occurrence basis, naming the Town, its officers, boards, commissions, committees, agent and employees as additional insureds and save them harmless from any and all claims of property damage, real or personal, occasioned or alleged to have been so occasioned by the construction, installation, maintenance or operation of the Cable Television System, with a minimum liability of One Million Dollars (\$1,000,000.00).
- c) Automobile liability insurance for owned automobiles and trucks, non-owned automobiles and trucks and/or rented automobiles and

trucks in the amount of One Million Dollars (\$1,000,000.00) per occurrence, combined single limit. For bodily injury and property damage.

- d) Workers Compensation in the minimum amount of the statutory limit.
- e) The Licensee shall carry excess liability, written on an occurrence basis, in the minimum amount of Five Million Dollars (\$5,000,000.00) in umbrella form over all liability insurance referenced in Subparagraphs a - c above.
- f) The following conditions shall apply to the insurance policies required herein:
 - i. Such insurance shall commence no later than the Effective Date of the License.
 - ii. Such insurance shall be primary with respect to any insurance maintained by the Town and shall not call on the Town's insurance for contributions.
 - iii. Such insurance shall be obtained from brokers or carriers authorized to transact insurance business in the State with an A or better rating for financial condition and performance by Best's Rating Guide, Property/Casualty Edition or a guide equivalently respected in the insurance industry.
 - iv. The coverage amounts set forth above may be met by a combination of underlying and umbrella policies so long as in combination the limits equal or exceed those required herein.
 - v. The Licensee's failure to obtain, to procure or maintain the required insurance shall constitute a material breach of the License under which the Town may immediately suspend operations under the License.
 - vi. The Licensee shall require that every one of its contractors and their subcontractors are covered by the Licensee's insurance as required herein or, in the alternative, carry in full force and effect, the same insurance in the same minimum amounts and meeting the same minimum requirements as required herein.
 - vii. The Licensee shall be responsible for all deductibles.
 - viii. The Town, its Issuing Authority, other officials, and employees shall be named as "additional insureds" on all liability insurance policies.

- ix. Neither these insurance requirements, nor the provision of insurance or insurance proceeds pursuant hereto, shall limit the liability of the Licensee pursuant to this License.
- x. All certificates of insurance must be filed with the Issuing Authority.
- xi. All insurance policies shall have a thirty (30) day notice of cancellation or amendment.

The following statement is responsive to Items III(O)(1)(a)-(f) above. Verizon will maintain appropriate insurance for the term of the license, and the Town will be named as additional insured under each such policy (except for Worker's Compensation, Employer's Liability, and Excess/Umbrella Liability Insurance). The exact insurance coverage amounts are set forth in the Proposed License. See Proposed License, Article 10.

2. **Performance Bond/Security Fund**

- a) The Licensee shall maintain, without charge to the Town, throughout the term of the License, a faithful performance bond running to the Town and in a form satisfactory to the Issuing Authority with good and sufficient surety licensed to do business in the Commonwealth of Massachusetts in the sum of One Hundred Fifty Thousand Dollars (\$150,000). Said bond shall be upon the terms and conditions specified in M.G.L. c. 166A, § 5(k) and the faithful performance and discharge of all obligations of this License.
- b) Said bond shall be a continuing obligation of the Renewal License and thereafter until the Licensee has satisfied all of its obligations to the Town pursuant to the terms and conditions of such bond. In the event that the Town recovers from said surety, the Licensee shall take immediate steps to reinstate the performance bond to no less than the required amount.
- c) The bond shall have a thirty (30) day notice of cancellation or amendment.
- d) In addition to the Performance Bond, the Licensee shall establish and maintain during the term of the License, at its sole cost and expense, a Security Fund in an escrow account for the Town of Acton. The Security Fund shall be funded initially in the amount of Five Thousand Dollars (85,000). It shall be used to insure the faithful performance by the Licensee of all material provisions of the License. If the Licensee fails to comply with any of the provisions of the License, the Board of Selectmen may after finding a default, make a demand upon the Security Fund, The

Town shall be paid within ten (10) business days of making the demand for payment from the Security Fund. In the event the Town draws on the Security Fund and the initial Five Thousand Dollars ((\$5,000) is depleted, the Licensee shall reinstate the fund to a total of Ten Thousand Dollars (10,000).

Neither the requirement for, existence of or payment from the above referenced insurance, performance bond or Security fund, shall limit the liability of the Licensee or its indemnification obligation under the License or applicable law.

The following statement is responsive to Items III(O)(2)(a)-(d) above. Verizon shall provide the Town with security for the performance of Verizon's obligations under the License with the exact amount of the security to be negotiated with the Town. The form of this security may, at Verizon's option, be a performance bond, letter of credit, cash deposit, cashier's check or other security reasonably acceptable to the Issuing Authority. Verizon is willing to discuss this issue in more detail during negotiations. See Proposed License, § 10.3.

3. **Indemnification**¹³

The Licensee shall, at its sole cost and expense, indemnify, hold harmless, and faithfully defend (if requested by the Issuing Authority) the Town, its officials, boards, commissions, committees, agents and/or employees against all claims, suits, causes of action, proceedings, judgment, damages, liabilities, costs and expenses, whether arising in law or in equity, arising out of or relating to: (i) this License, (ii) the construction, installation, operation, maintenance or removal of the Cable System by the Licensee, its officers, employees or agents, or (iii) the acts or omissions of the Licensee its officers, employees or agents. including by way of example. but not limitation, damages, injuries (personal or otherwise) or death to any persons or damage to real or personal property. Indemnified expenses shall include, without limitation, all out-of-pocket expenses, such as attorneys' fees, including the reasonable value of any services rendered by the Town Counsel. The Town shall give the Licensee timely written notice of any claim(s) for which indemnification is sought. (The Town will not agree to a fixed deadline for such notice since it would unfairly prejudice or harm the Town in the event the Licensee's involvement in the matter and/or indemnification requirement is not

¹³ With respect to the Applicant seeking indemnification from the Town, please note that the Town and its Board of Selectmen are unable under Massachusetts Law to indemnify another party. Even if the Town and the Board of Selectmen were allowed under law to indemnify another party, by doing so the Town would be unable to avail itself of the tort cap protection of M.G.L. c. 258, § 2 (\$100,000 limit). Accordingly, for this and other reasons the Town, would not indemnify another party, including a cable licensee, even if it were legally able to do so.

readily apparent, including, but not limited to third party claims against the Town for contribution.)

Verizon will agree to indemnify the Town consistent with state law (MGL Chapter 166A, §5(b)). See Proposed License, § 10.2.1. Verizon is willing to discuss the Town's other stated concerns regarding indemnification during negotiations.

P. Breach of the License, Liquidated Damages and License Revocation

1. The Licensee should be subject to clear requirements for demonstrating compliance with its License and all legal requirements, including the provision to the Town of all relevant documents and information. No documents or information needed by the Town to determine the Licensee's compliance with the License and applicable legal requirements should be withheld from the Town for any reason, including any claim that the document or information is proprietary or confidential. (To the extent, if any, documents or information are reasonably deemed by the Licensee to be proprietary or confidential, and the Town is so informed, in writing, by the Licensee, the Town will take reasonable steps to protect their proprietary and confidential nature, cooperating with the Licensee's exercise of its rights to protect its confidential information from public disclosure, subject, however, to applicable law.
2. The Licensee must provide the Town with effective reports and tools to monitor, enforce, and insure full compliance with the License, legal and regulatory requirements.
3. The Applicant should, in its Amended Application, propose a timely process by which a breach of the License is determined by the Issuing Authority. There should not be more than one notice and hearing requirement with respect to any alleged breach or for any remedy sought by the Town. That provision should provide a fair, but not unduly long hearing process through which the Issuing Authority may determine whether there has been and/or exists a material breach and/or default of the Final License by the Licensee. In the event that the Issuing Authority determines that the Licensee is in such default, the Issuing Authority may determine to pursue any of the following remedies:
 - a) Seek specific performance of any provision in the License that reasonably lends itself to such remedy as an alternative to damages;
 - b) Assess liquidated damages as described in Subparagraph (4) below;

- c) Commence an action at law for monetary damages;
 - d) Foreclose on all or any appropriate part of the security provided pursuant to the License;
 - e) Declare the License to be revoked; and/or
 - f) Invoke any other lawful remedy available to the Town.
4. Liquidated damage amounts should reflect the monetary damages the Town and those it represents may face with respect to a failure of the Licensee to meet License and/or legal requirements, and realistically discourage such failures. Liquidated damages should be provided for in the License for the breach of any material provision of the Final License. Higher liquidated damage amounts should be imposed for more serious license violations, including, but not limited to: (i) a failure to provide cable service to a residence or business in accordance with the terms of the Final License, (ii) a failure to install and provide cable service to municipal, school and public buildings; (iii) a failure to comply with FCC technical standards, (iv) a failure to comply with a provision of PEG Access section, (v) the failure to comply with customer service standards; (vi) a failure to submit a required report; or (vii) a failure to obtain written consent for a transfer or assignment of the License or control thereof. Liquidated damages shall be calculated from the receipt of the Issuing Authority notice by the Licensee. Each day the violation continues shall be a separate violation. There should be no limit or cap on the total of liquidated damages which accrue as a result of the breaching of the License by the Licensee.

The following statement is responsive to Items III(P)(1)-(4). Verizon has proposed a determination of breach and license revocation article in its Proposed License. See Proposed License, Article 13. Verizon is willing to discuss with the Town whether a liquidated damages provision in the license is necessary.

Q. Customer Service and Privacy Standards

1. Customer Service Office

- a) A local office provides an important point of contact for a cable operator to get to understand, and sometimes know, its customers. Of particular importance, in today's busy world, is the ability of choosing when to address and/or remedy a cable mailer or problem, particularly as respects equipment matters. Few people are easily able to stay home for service windows of three (3) to four (4) hours in order to address a cable matter. In fact, in many

respects, the local office is more important than ever. A nearby customer service office is, frankly, just good business, particularly in a community that uses, understands, and appreciates the benefits of a customer service office.

- b) The Licensee shall, throughout the term of the License, operate, maintain and staff a full-time customer service office which is reasonably convenient to Acton residents, (The Renewal License of Comcast, requires the Licensee to “maintain, operate and staff a full-time customer service office within the Town of Acton or in any of the following Towns: Hudson, Boxborough, Carlisle, Littleton, Maynard or Stow., ..) [Due to mergers since the renewal of the Comcast license, an additional Comcast office in Westford is now available and is more convenient to most of the Town than Hudson.] Said office shall be open for walk-in business Monday through Friday, during Normal Business Hours, for the purpose of, among other things. receiving monthly bill collections, installation and change of service and service call requests, exchanging/replacing customer equipment, receiving all customer inquiries and Complaints, made in person, including without limitation, those regarding billing, Service, installation, equipment malfunctions; and answering general inquiries.
- c) The specific location of said reasonably convenient customer service office may be changed at the sole discretion of the Licensee; provided, however, that (i) the new location is also reasonably convenient to Acton residents, (ii) the Licensee shall give the Issuing Authority at least sixty (60) days advance, written notice of any such change(s); and (iii) without prejudice to the Licensee’s discretion to choose the location of a new customer service office (as long as it is reasonably convenient to Acton residents), the Licensee shall take into account and consider in good faith any possible concerns raised by the Issuing Authority regarding such possible new location.

The following statement is responsive to Items III(Q)(1)(a)-(c) above. Verizon has proposed a set of customer service standards to address the issues raised by the Town. For new installations, upgrades, downgrades and disconnects, equipment (STBs, remotes, etc.) will be delivered by the technician at the time of install, with such appointments to be scheduled at the customer’s convenience. The installation process will include the technician providing the customer with appropriate instructions and training on the operation of the equipment.

2. *Customer Service Obligations*

- a) The Licensee shall comply with: (i) the FCC’s Customer Service Obligations, codified at 47 U.S.C. 76.309, as may be amended

from time to time, and (ii) all customer service regulations of the Massachusetts Cable Division (i.e. the Billing and Termination of Service provisions of 207 CMR 10.00), all of which shall be incorporated by reference into the License.

- b) The Amended Application shall include and specify: (i) additional customer service standards or obligations it intends to meet and (ii) those standards and obligations it proposes to be in a License granted by the Issuing Authority. If the Applicant is not proposing to include specific customer service standards and/or obligations in its Amended Application or the License, which have been included in any other cable franchise executed to date by Verizon (not limited to Verizon of New England Inc.) or any entity whose 'ultimate parent is Verizon Communications, Inc., regardless of the state in which the cable franchise was granted, please identify those provisions and explain their exclusion. Customer service obligations include, but are not limited to: telephone call centers procedures and access, installation and service visits, scheduling and equipment policies and complaint procedures.

3. **Subscriber Privacy**

- a) The Licensee shall comply with all applicable laws and regulations regarding Subscriber privacy, as may be amended from time to time, and which shall be incorporated by reference into the License.
- b) The Amended Application shall include and specify additional privacy standards it intends to meet. If the Applicant is not proposing to include specific customer service requirements which have been included in any other cable franchise executed to date by Verizon (not limited to Verizon of New England Inc.) or any entity whose ultimate parent is Verizon Communications, Inc., regardless of the state in which the cable franchise was granted, please identify those subscriber privacy provisions and explain their exclusion from the Amended Application.
- c) The Applicant should state whether it will comply with the Subscriber privacy provisions contained in Sections 13.11 through 13.21 of the Comcast Renewal License. if the Applicant states in its Amended Application that it will not comply with any one or more of said Subscriber privacy provisions, the Applicant must provide a clear written explanation as to the reasons it will not so comply.

4. **Franchising Authority Contact Information On Bill**

The Town will not agree to the omission or deletion of contact information regarding the franchising authority (the Town) on subscriber bills.

The following statement is responsive to items III(Q)(2)-(4) above. Verizon has proposed a set of customer service standards in its Proposed License. Verizon is willing to discuss these issues in greater detail during negotiations. See Proposed License, Article 8 and Exhibit D.

R. Reports and Investigation

1. **Reports Required To Be Submitted By Law**

The Licensee shall submit to the Town all reports required to be submitted to the Town under applicable law and/or regulation.

2. **Reports Generally**

a) Upon the written request of the Issuing Authority, the Licensee shall promptly submit to the Issuing Authority and/or its designee(s) any records, documents and/or information regarding the Licensee, its business and operations, and/or any Affiliated Person, with respect to the Cable System, in such form and containing such detail as may be reasonably specified by the Town pertaining to the License.

b) If any records, documents or information are too voluminous, or for security reasons cannot be copied and moved, then the Licensee may request that the inspection take place at a location mutually agreed upon by the Licensee and the Issuing Authority, provided that: (i) the Licensee must make necessary arrangements for copying documents selected by the Issuing Authority and/or its designee(s) after its/their review; and (ii) the Licensee must pay all travel and additional copying expenses incurred by the Issuing Authority and/or its designee(s) in inspecting those records, documents or information.

3. **In-House Telephone Reports**

In-house telephone reports which shall include the following information and any other information that may be required by applicable law(s): (1) confirmation that, under normal operating conditions, telephone answer time by a customer representative, including wait time, shall not exceed thirty (30) seconds when the connection is made (which standard shall be met no less than ninety (90) percent of the time under normal operating conditions, measured on a quarterly basis); and (2) confirmation that, under normal operating conditions, the customer will receive a busy signal less than three (3) percent of the time.

The following statement is responsive to items III(R)(1)-(3) above. Upon request, Verizon will provide the Town with copies of specified reports that are filed with the DTE that are relevant to the provision of cable services in the Town. Verizon is willing to discuss these issues in greater detail during negotiations.

4. **Investigation**

Subject to applicable law and regulation, the Licensee and any affiliates shall cooperate fully and faithfully with any lawful investigation, audit or inquiry conducted by the Town or a Town governmental agency; provided, however, that any such investigation, audit or inquiry is for the purpose of establishing the Licensee's compliance with its obligations pursuant to this License.

The terms and conditions of a final license will be negotiated between Verizon and the Town. The Town's ability to establish compliance procedures for obligations of a cable license in the Town will be made apart of any final license.

5. **Dual Filings**

Either party shall notify the other, in writing, of any petitions, communications, and/or requests for waiver or advisory opinion with any State or federal agency or commission pertaining to any material aspect of the Cable System operation hereunder, and shall provide the other party with copies of any such petitions, communications or requests, at its own expense.

The terms and conditions of a final license will be negotiated between Verizon and the Town. A provision relating to communications with regulatory authorities that materially and expressly pertains to the Town will be a made a part of a final license.

S. **Miscellaneous Provisions**

1. **Severability**

In the event that a court or agency or legislature of competent jurisdiction acts or declares that any nonmaterial provision of this License is unenforceable according to its terms, or is otherwise void, said provision shall be considered a separate, distinct, and independent part of this License, and such holding shall not affect the validity and enforceability of all other provisions hereof. In the event that a court or agency or legislature of competent jurisdiction acts so that any material provision of

this License is unenforceable according to its terms, or is otherwise void, the parties agree to immediately enter into negotiations in good faith and make equitable amendments to restore the relative burdens and benefits of this License. Notwithstanding the foregoing, if a party believes a provision is not material, it must so notify the other party within thirty (30) days of a request by such other party that it enter into negotiations to make amendments, or else the claim of non-materiality is waived. The obligation to negotiate is not tolled, and the parties must discharge their negotiation responsibility notwithstanding a dispute as to materiality. The remedies provided for herein do not prevent a party from contending that a particular provision is enforceable, or foreclose any remedies if a provision is enforceable.

2. *Acts or Omissions of Affiliates*

During the term of the License, the Licensee shall be liable for the acts or omission of its Affiliates while such Affiliates are involved directly or indirectly in the construction, installation, maintenance or operation of the Cable System as if the acts or omissions of such Affiliates were the acts or omissions of the Licensee.

3. *Force Majeure*

The Force Majeure provision of the License (which shall be applicable to both parties) must include the following or similar provisions:

- a) That the party invoking force majeure takes immediate and diligent steps to comply as soon as possible under the circumstance with the License without endangering the health or safety of the Licensee's employees or property, or the health or safety of the Town or the public, or their property;
- b) In the event that any such delay in performance or failure to perform affects only part of the Licensee's capacity to perform, the Licensee shall perform to the maximum extent it is able to do so in as expeditious a manner as possible; and
- c) The party Licensee invoking force majeure shall notify the other party, in writing, of the occurrence of an event covered by the force majeure License Provision, within five (5) business days of the date upon which the invoking party learns of its occurrence.

The following statement is responsive to items III(S)(1)-(3) above. Verizon's positions on these issues are set forth in the Proposed License. Verizon is willing to discuss these issues in more detail during negotiations.

4. **Jurisdiction**

Jurisdiction and venue over any dispute, action or suit arising from this License shall be as follows: (i) with respect to a legal action brought in the District Court of Massachusetts, the venue shall be the Concord Division; (ii) with respect to an action brought in the Superior Court of Massachusetts, the venue shall be the Middlesex Superior Court; and (iii) with respect to an action brought in the Federal District Court, the venue shall be the Federal District Court for the Eastern District of Massachusetts, located in Boston, Massachusetts. The parties shall subject themselves to the personal jurisdiction of said courts for the entry of any such judgment and for the resolution of any dispute, action, or suit.

The final license between Verizon and the Town will be subject to applicable federal and state law and regulations as they may be amended.

T. **Payment For Licensing Costs**

Has Verizon (not limited to Verizon of New England Inc.) or any entity whose ultimate parent is Verizon Communications, Inc., entered into a cable franchise, regardless of the state in which the cable franchise was granted, in which it was agreed or the franchise document provided that Verizon would pay some of the franchising authority's costs associated with the grant of the franchise? If so please describe. If so, please state whether the Applicant is willing to pay all or some of the costs associated with the Town of Acton's grant of a Cable License to the Applicant. If so, please provide specifics. If not, please explain why not.

Verizon New England, Inc. has not entered into any formal agreement to reimburse any municipality for costs associated with the grant of a franchise or license. Verizon reviews such requests on a case by case basis. Therefore, Verizon cannot commit to reimburse the Town for any expenditures related to the licensing process.

U. **Cable Equipment Including Set Top Boxes, Cable-Ready Set Compatibility. Remote Controls. DVR's. and Re-Use of Existing.. vs.. New Wiring To and Inside Homes**

1. **Equipment supplied by the licensee**

Please fully describe all matters of interest and concern to Subscribers regarding cable equipment, including set top boxes, cable-ready set compatibility, remote controls, VCR/DVD/DVR and cable compatibility, A/B switches, DVR's, and re-use of existing vs. new wiring to and inside homes.

Information on the available equipment and services is described in Verizon's Form 100 (question 23, Exhibit F). Verizon will also provide subscribers with a "welcome kit" which will contain information on equipment and services. Once Verizon has developed and finalized this kit and related sales literature, we will be able to share copies of these materials with the Town. Verizon is willing to discuss these issues in greater detail during negotiations.

2. **Internal Home Wiring**

Subscribers may, to the extent compatible with the Cable System and not in violation of any signal leakage requirements, use their own home wiring and outlets for interconnection to use the Cable System and outlets and additional outlets, subject to applicable law. The Licensee shall, upon request, make available to Subscribers its specifications and policies concerning the requisites of home wiring compatibility with the Cable System. The parties acknowledge the Licensee has a right to disconnect such home wiring interconnections to the Cable System in the event signal leakage is occurring and is in violation of FCC signal leakage requirements.

3. **Compatibility with Consumer Home Theatre Equipment**

Subscribers may directly connect, without the requirement for set-top converters, consumer home video equipment which is compatible with applicable and current standards such as CableCard and OpenCable Unidirectional Receiver (OCUR). The Licensee's Cable System shall make a best-effort endeavor to provide compatibility with these existing standards and any new standards as they are developed within one (1) year of their availability in local consumer video retail stores. In addition, programming for at least the lowest tier (Basic, including all local broadcast and PEG channels) and where possible higher tiers, shall be available unencrypted, so that this programming may be received by any compatible Digital Cable Receiver (such as the current QAM standard or future similar standards), even without the use of the CableCard or other Digital Rights Management system.

The following statement is responsive to items III(U)(2)-(3) above. As a new entrant into the cable market, Verizon will make its system as user-friendly as possible in order to best meet subscriber needs.

V. **Internet Services To Be Made Available To The Town And, Schools**

The Town has a need and interest in Internet Service being provided by Verizon to all public schools and libraries in Acton. The Applicant must describe the Internet Services it plans to make available to the Town, including its Public Schools and the Public Library. The Internet Services Plan shall address the following questions: 1) What Internet Services does the Applicant plan to make available to the Town, including its Public Schools? 2) Will Internet Service be provided at no cost or for a reduced cost? If not, why not? 3) Has Verizon (not limited to Verizon of New England Inc.) or any entity whose ultimate parent is Verizon Communications, Inc., entered into a cable franchise, regardless of the state in which the cable franchise was granted, in which it was agreed or the franchise document provided that Verizon would provide free or discounted Internet Access to the franchising authority or its designee(s)? If so please describe.

The following is included for informational purposes only. Verizon notes that telecommunications and information services are not subject to the Town's regulatory authority. Verizon is currently providing telecommunications and internet services to the Town's residents. Once installed, the FTTP network will allow Verizon to provide enhanced telephone and high-speed internet services. Verizon will provide these services to municipal and school subscribers on the same terms and conditions as other subscribers in the Town. Verizon is willing to discuss this issue in more detail during negotiations.

W. Senior Discount

The Town has a requirement for a senior discount. A significant discount is provided by the incumbent cable provider (Comcast) and required by the terms of the Comcast license. The applicant will be required to offer a senior discount in the Town of Acton comparable to the discount offered by the incumbent provider and to memorialize the terms of the discount in the license, The issuing authority is not willing to permit a new license to be granted in the Town of Acton which would have the potential to negatively impact our senior citizens through a possible invocation of the level-playing-field provision of the Comcast license with respect to the senior discount.

As a competitive provider of cable services, Verizon's cable rates are not subject to regulation by the Town. As such, Verizon has not included a senior citizen discount provision in its proposed license. Verizon recognizes that as a new entrant into the Town's cable market, it will need to offer competitive pricing in order to attract subscribers.

Exhibit A

Proposed License

**CABLE TELEVISION
FINAL LICENSE**

**GRANTED TO
VERIZON NEW ENGLAND, INC.**

**BOARD OF SELECTMEN
TOWN OF ACTON,
MASSACHUSETTS**

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EXHIBITS

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EXHIBIT E -- PERFORMANCE BOND

THIS CABLE LICENSE AGREEMENT (this "License" or "Agreement") is entered into by and between the Board of Selectmen of the Town of Acton, as Issuing Authority for the grant of the cable television license pursuant to the Massachusetts Cable Law, and Verizon New England, Inc., a corporation duly organized under the applicable laws of the State of New York (the "Licensee").

WHEREAS, the Issuing Authority wishes to grant Licensee a nonexclusive License to construct, install, maintain, extend and operate a cable system in the Town as designated in this License;

WHEREAS, the Issuing Authority is a "franchising authority" in accordance with Title VI (as hereinafter defined) (see 47 U.S.C. § 522(10)) and is authorized to grant one or more nonexclusive cable licenses pursuant to the Massachusetts Cable Law;

WHEREAS, Licensee is in the process of upgrading its existing Telecommunications Facilities through the installation of a Fiber to the Premise Telecommunications Network ("FTTP Network") in the Town which transmits Non-Cable Services pursuant to authority granted by M.G.L. c. 166 and Title II, which Non-Cable Services are not subject to the Massachusetts Cable Law or Title VI;

WHEREAS, the FTTP Network will occupy the Public Rights-of-Way within the Town, and Licensee desires to use portions of the FTTP Network once installed to provide Cable Services (as hereinafter defined) in the Town;

WHEREAS, Licensee submitted an application dated _____, on Cable Division Form 100 for a license to operate and maintain a Cable System in the Town;

WHEREAS, pursuant to 207 CMR 3.03(3), the Issuing Authority released an Issuing Authority Report dated _____, and Licensee submitted an amended application dated _____;

WHEREAS, pursuant to 207 CMR 3.03(4), the Issuing Authority held a public hearing to assess the qualifications of Licensee, and has found Licensee to be financially, technically and legally qualified to operate the Cable System;

WHEREAS, the Issuing Authority has determined that, in accordance with the provisions of the Massachusetts Cable Law, the grant of a nonexclusive License to Licensee is consistent with the public interest; and

WHEREAS, the Issuing Authority and Licensee have reached agreement on the terms and conditions set forth herein and the parties have agreed to be bound by those terms and conditions.

NOW, THEREFORE, in consideration of the Issuing Authority's grant of a License to Licensee, Licensee's promise to provide Cable Service to residents of the Town pursuant to the terms and conditions set forth herein, and for other good and valuable consideration, the receipt and the adequacy of which are hereby acknowledged,

THE SIGNATORIES DO HEREBY AGREE AS FOLLOWS:

1. DEFINITIONS

Except as otherwise provided herein, the definitions and word usages set forth in the Communications Act are incorporated herein and shall apply in this Agreement. In addition, the following definitions shall apply:

1.1. *Access Channel*: A video Channel, which Licensee shall make available to the Town without charge for non-commercial public, educational, or governmental use for the transmission of Video Programming as directed by the Town.

1.2. *Affiliate*: Any Person who, directly or indirectly, owns or controls, is owned or controlled by, or is under common ownership or control with, the Licensee.

1.3. *Basic Service*: Any service tier which includes the retransmission of local television broadcast signals as well as the PEG Channels required by this License.

1.4. *Cable Division*: The Cable Television Division of the Massachusetts Department of Telecommunications and Energy.

1.5. *Cable Service* or *Cable Services*: Shall be defined herein as it is defined under Section 602 of the Communications Act, 47 U.S.C. § 522(6).

1.6. *Cable System* or *System*: Shall be defined herein as it is defined under Section 602 of the Communications Act, 47 U.S.C. § 522(7), meaning Licensee's facility, consisting of a set of closed transmission paths and associated signal generation, reception, and control equipment that is designed to provide Cable Service, which includes video programming, and which is provided to multiple Subscribers within the Town. The Cable System shall be limited to the optical spectrum wavelength(s), bandwidth or future technological capacity that is used for the transmission of Cable Services directly to Subscribers within the Town and shall not include the tangible Telecommunications Facilities of Licensee subject in whole or in part to Title II or of an Information Services provider.

1.7. *Channel*: Shall be defined herein as it is defined under Section 602 of the Communications Act, 47 U.S.C. § 522(4).

1.8. *CMR*: The Code of Massachusetts Regulations.

1.9. *Communications Act*: The Communications Act of 1934, as amended.

1.10. *Control*: The ability to exercise *de facto* or *de jure* control over day-to-day policies and operations or the management of Licensee's affairs.

1.11. *Educational Access Channel*: An Access Channel available for the use of the local public schools in the Town.

1.12. *FCC*: The United States Federal Communications Commission, or successor governmental entity thereto.

1.13. *Force Majeure*: An event or events reasonably beyond the ability of Licensee to anticipate and control. This includes, but is not limited to, severe or unusual weather conditions, strikes, labor disturbances, lockouts, war or act of war (whether an actual declaration of war is made or not), insurrection, riots, act of public enemy, actions or inactions of any government instrumentality or public utility including condemnation, accidents for which the Licensee is not primarily responsible, fire, flood, or other acts of God, or work delays caused by waiting for utility providers to service or monitor utility poles to which Licensee's FTTP Network is attached, and unavailability of materials and/or qualified labor to perform the work necessary.

1.14. *FTTP Network*: Shall have the meaning set forth in the recitals of this Agreement.

1.15. *Government Access Channel*: An Access Channel available for use of the Issuing Authority.

1.16. *Gross Revenue*: All revenue, as determined in accordance with generally accepted accounting principles, which is derived by Licensee from the operation of the Cable System to provide Cable Service in the Town, provided, however, that Gross Revenue shall not include:

1.16.1. Revenues received by any Affiliate or other Person in exchange for supplying goods or services used by Licensee to provide Cable Service over the Cable System;

1.16.2. Bad debts written off by Licensee in the normal course of its business, provided, however, that bad debt recoveries shall be included in Gross Revenue during the period collected;

1.16.3. Refunds, rebates or discounts made to Subscribers or other third parties;

1.16.4. Any revenues classified, in whole or in part, as Non-Cable Services revenue under federal or state law including, without limitation, revenue received from Telecommunications Services; revenue received from Information Services, including, without limitation, Internet Access Service, electronic mail service, electronic bulletin board service, or similar online computer services; charges made to the public for commercial or cable television that is used for two-way communication; and any other revenues attributed by Licensee to Non-Cable Services in accordance with FCC or state public utility regulatory commission rules, regulations, standards or orders;

1.16.5. Any revenue of Licensee or any other Person which is received directly from the sale of merchandise through any Cable Service distributed over the Cable System, notwithstanding that portion of such revenue which represents or can be attributed to a

Subscriber fee or a payment for the use of the Cable System for the sale of such merchandise, which portion shall be included in Gross Revenue;

1.16.6. Revenues from the sale of Cable Services on the Cable System for resale in which the purchaser is required to collect cable license fees from purchaser's customer;

1.16.7. Any tax of general applicability imposed upon Licensee or upon Subscribers by a Town, state, federal or any other governmental entity and required to be collected by Licensee and remitted to the taxing entity (including, but not limited to, sales/use tax, gross receipts tax, excise tax, utility users tax, public service tax, communication taxes and non-cable license fees);

1.16.8. Any revenue foregone as a result of the Licensee's provision of free or reduced cable or other communications services to any Person, including without limitation, employees of Licensee and public institutions or other institutions as required or permitted herein and to other customers which are exempt, as required or allowed by the Town; provided, however, that such foregone revenue which Licensee chooses not to receive in exchange for trades, barter, services or other items of value shall be included in Gross Revenue;

1.16.9. Revenues from the sales of capital assets or sales of surplus equipment;

1.16.10. Program launch fees;

1.16.11. Directory or Internet advertising revenue including, but not limited to, yellow page, white page, banner advertisement and electronic publishing;

1.16.12. Any fees or charges collected from Subscribers or other third parties for the PEG Grant.

1.17. *Information Services*: Shall be defined herein as it is defined under Section 3 of the Communications Act, 47 U.S.C. § 153(20).

1.18. *Internet Access Service*: Dial-up or broadband access service that enables Subscribers to access the Internet.

1.19. *Issuing Authority*: The Board of Selectmen of the Town of Acton.

1.20. *License Fee*: The payments to be made by the Licensee to the Town, which shall have the meaning as set forth in Section 9 of the Massachusetts Cable Law.

1.21. *Licensee*: Verizon New England, Inc., and its lawful and permitted successors, assigns and transferees.

1.22. *Massachusetts Cable Law*: Chapter 166A of the General Laws of the Commonwealth of Massachusetts.

1.23. *Non-Cable Services*: Any service that does not constitute the provision of Video Programming directly to multiple Subscribers in the Town including, but not limited to, Information Services and Telecommunications Services.

1.24. *Normal Business Hours*: Those hours during which most similar businesses in the community are open to serve customers. In all cases, “normal business hours” must include some evening hours at least one night per week and/or some weekend hours.

1.25. *Normal Operating Conditions*: Those service conditions which are within the control of the Licensee. Those conditions which are not within the control of the Licensee include, but are not limited to, natural disasters, civil disturbances, power outages, telephone network outages, and severe or unusual weather conditions. Those conditions which are within the control of the Licensee include, but are not limited to, special promotions, pay-per-view events, rate increases, regular peak or seasonal demand periods, and maintenance or rebuild of the Cable System. See 47 C.F.R. § 76.309(c)(4)(ii).

1.26. *PEG*: Public, educational, and governmental.

1.27. *PEG Channel*: Shall have the meaning set forth in Section 6.1.1 of this Agreement.

1.28. *Person*: An individual, partnership, association, joint stock company, trust, corporation, or governmental entity.

1.29. *Public Access Channel*: An Access Channel available for the use by the residents in the Town.

1.30. *Public Rights-of-Way*: The surface and the area across, in, over, along, upon and below the surface of the public streets, roads, bridges, sidewalks, lanes, courts, ways, alleys, and boulevards, including, public utility easements and public lands and waterways used as Public Rights-of-Way, as the same now or may thereafter exist, which are under the jurisdiction or control of the Town. Public Rights-of-Way do not include the airwaves above a right-of-way with regard to cellular or other nonwire communications or broadcast services.

1.31. *Service Area*: The geographic boundaries of the Town as outlined in Exhibit A, meaning the entire Town.

1.32. *Service Date*: The date that the Licensee first provides Cable Service on a commercial basis directly to multiple Subscribers in the Town. The Licensee shall memorialize the Service Date by notifying the Issuing Authority in writing of the same, which notification shall become a part of this License.

1.33. *Service Interruption*: The loss of picture or sound on one or more cable Channels.

1.34. *State*: The Commonwealth of Massachusetts.

1.35. *Subscriber*: A Person who lawfully receives Cable Service of the Cable System with Licensee's express permission.

1.36. *Telecommunications Facilities*: Licensee's existing Telecommunications Services and Information Services facilities, including the FTTP Network.

1.37. *Telecommunication Services*: Shall be defined herein as it is defined under Section 3 of the Communications Act, 47 U.S.C. § 153(46).

1.38. *Title II*: Title II of the Communications Act.

1.39. *Title VI*: Title VI of the Communications Act.

1.40. *Town*: The Town of Acton.

1.41. *Transfer of the License*:

1.41.1. Any transaction in which:

1.41.1.1 an ownership or other interest in Licensee is transferred, directly or indirectly, from one Person or group of Persons to another Person or group of Persons, so that Control of Licensee is transferred; or

1.41.1.2 the rights held by Licensee under this License are transferred or assigned to another Person or group of Persons.

1.41.2. However, notwithstanding Sections 1.43.1.1 and 1.43.1.2 above, a Transfer of this License shall not include transfer of an ownership or other interest in Licensee to the parent of Licensee or to another Affiliate of Licensee; transfer of an interest in this License or the rights held by the Licensee under the License to the parent of Licensee or to another Affiliate of Licensee; any action which is the result of a merger of the parent of the Licensee; or any action which is the result of a merger of another Affiliate of the Licensee.

1.42. *Video Programming*: Shall be defined herein as it is defined under Section 602 of the Communications Act, 47 U.S.C. § 522(20).

2. GRANT OF AUTHORITY; LIMITS AND RESERVATIONS

2.1. *Grant of Authority*: Subject to the terms and conditions of this Agreement and the Massachusetts Cable Law, the Issuing Authority hereby grants the Licensee the right to own, operate and maintain a Cable System along the Public Rights-of-Way within the Town, in order to provide Cable Service. No privilege or power of eminent domain is bestowed by this grant; nor is such a privilege or power bestowed by this Agreement.

2.2. *Issuing Authority Does Not Regulate Telecommunications*: The Issuing Authority's regulatory authority under Title VI does not extend to the construction, installation, maintenance or operation of the FTTP Network to the extent the FTTP Network is constructed,

installed, maintained or operated for the purpose of upgrading and/or extending Verizon's existing Telecommunications Facilities for the provision of Non-Cable Services.

2.3. *Term:* This License shall become effective on _____, ____ (the "Effective Date"). The term of this License shall be fifteen (15) years from the Effective Date unless this License is earlier revoked or terminated as provided herein, or surrendered. If, subsequent to the Effective Date, there is a change in federal law or State law that eliminates the authority of local governments to require and grant cable television franchises for the provision of Cable Service, then to the extent permitted by law this License shall survive such legislation and remain in effect for the term of this License.

2.4. *Grant Not Exclusive:* This License and the rights granted herein to use and occupy the Public Rights-of-Way to provide Cable Services shall not be exclusive, and the Issuing Authority reserves the right to grant other licenses for similar uses or for other uses of the Public Rights-of-Way, or any portions thereof, to any Person, or to make any such use themselves, at any time during the term of this License. Any such rights which are granted shall not adversely impact the authority as granted under this License and shall not interfere with the existing facilities of the Cable System or the FTTP Network.

2.5. *License Subject to Federal and State Law:* Notwithstanding any provision to the contrary herein, this License is subject to and shall be governed by all applicable provisions of federal and State law as they may be amended, including but not limited to the Communications Act and the Massachusetts Cable Law.

2.6. *No Waiver:*

2.6.1. The failure of the Issuing Authority on one or more occasions to exercise a right or to require compliance or performance under this License, the Massachusetts Cable Law or any other applicable law shall not be deemed to constitute a waiver of such right or a waiver of compliance or performance by the Issuing Authority, nor to excuse Licensee from complying or performing, unless such right or such compliance or performance has been specifically waived in writing.

2.6.2. The failure of the Licensee on one or more occasions to exercise a right under this License or applicable law, or to require performance under this License, shall not be deemed to constitute a waiver of such right or of performance of this Agreement, nor shall it excuse the Issuing Authority from performance, unless such right or performance has been specifically waived in writing.

2.7. *Construction of Agreement:*

2.7.1. The provisions of this License shall be liberally construed to effectuate their objectives.

2.7.2. Nothing herein shall be construed to limit the scope or applicability of Section 625 of the Communications Act, 47 U.S.C. § 545.

2.7.3. Should any change to State law have the lawful effect of materially altering the terms and conditions of this License, then the parties shall modify this License to the mutual satisfaction of both parties to ameliorate the negative effects on the Licensee of the material alteration. If the parties cannot reach agreement on the above-referenced modification to this License, then Licensee may terminate this Agreement without further obligation to the Town or, at Licensee's option, the parties agree to submit the matter to binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association.

2.8. *Police Powers:* The Town shall not enact any bylaws or regulations that are inconsistent with this License, provided however that nothing in this License shall be construed to prohibit the reasonable, necessary and lawful exercise of the Town's police powers. However, if the reasonable, necessary and lawful exercise of the Town's police power results in any material alteration of the terms and conditions of this License, then the parties shall modify this License to the mutual satisfaction of both parties to ameliorate the negative effects on the Licensee of the material alteration. If the parties cannot reach agreement on the above-referenced modification to this License, then Licensee may terminate this Agreement without further obligation to the Town or, at Licensee's option, the parties agree to submit the matter to binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association.

3. PROVISION OF CABLE SERVICE

3.1. *Service Area:*

3.1.1. Licensee shall offer Cable Service to significant number of residents in the Service Area, and may make Cable Service available to businesses in the Service Area, within twelve (12) months of the Effective Date, and shall offer Cable Service to all residential areas of the Service Area within five (5) years of the Effective Date, except: (A) for periods of Force Majeure; (B) for periods of delay caused by the Town; (C) for periods of delay resulting from Licensee's inability to obtain authority to access rights-of-way in the Service Area; (D) in areas where developments or buildings are subject to claimed exclusive arrangements with other providers; (E) in areas, developments or buildings where Licensee cannot access under reasonable terms and conditions after good faith negotiation, as determined by Licensee; and (F) in areas, developments or buildings where Licensee is unable to provide Cable Service for technical reasons or which require non-standard facilities which are not available on a commercially reasonable basis; and (G) in areas where the occupied residential household density does not meet the density requirement set forth in Section 3.1.2.

3.1.2. *Density Requirement:* Licensee shall make Cable Services available to residential dwelling units in all areas of the Service Area where the average density is equal to or greater than thirty (30) occupied residential dwelling units per mile as measured in strand footage from the nearest technically feasible point on the active FTTP Network trunk or feeder line. Should, through new construction, an area within the Service Area meet the density requirement after the time stated for providing Cable Service as set forth in Section 3.1.1, Licensee shall provide Cable Service to such area within six (6) months of receiving notice from the Issuing Authority that the density requirement have been met.

3.1.3. *Additional Service Area:* Except for the Service Area, Licensee shall not be required to extend its Cable System or to provide Cable Services to any other areas within the Town during the term of this License or any renewals thereof. If licensee desires to add additional service areas within the Town, Licensee shall notify the Issuing Authority in writing of such additional service area at least ten (10) days prior to providing Cable Service in such areas.

3.2. *Availability of Cable Service:* Licensee shall make Cable Service available to all residential dwelling units, and may make Cable Service available to businesses, within the Service Area in conformance with Section 3.1 and Licensee shall not discriminate between or among any individuals in the availability of Cable Service. In the areas in which Licensee provides Cable Service, Licensee shall be required to connect, at Licensee's expense, all residential dwelling units that are within one hundred twenty five (125) feet of trunk or feeder lines not otherwise already served by Licensee's FTTP Network. Licensee shall be allowed to recover, from a Subscriber that requests such connection, actual costs incurred for residential dwelling unit connections that exceed one hundred twenty five (125) feet and actual costs incurred to connect any non-residential dwelling unit Subscriber.

3.3. *Cable Service to Public Buildings:* Subject to Section 3.1, Licensee shall provide, without charge within the Service Area, one service outlet activated for Basic Service to each public school, police and fire station, public library, and other public buildings as are designated by the Issuing Authority pursuant to Section 5(e) of the Massachusetts Cable Law. Each such written designation shall include the street address of each building. The current designation of public buildings and their street addresses are set forth in **Exhibit B**. Licensee shall be permitted to recover, from any school or other public building owner entitled to free service, the direct cost of installing, when requested to do so, more than one outlet, or concealed inside wiring, or a service outlet requiring more than one hundred twenty five (125) feet of drop cable; provided, however, that Licensee shall not charge for the provision of Basic Service to the additional service outlets once installed.

4. SYSTEM OPERATION

The parties recognize that the FTTP Network is being constructed and will be operated and maintained as an upgrade to and/or an extension of Licensee's existing Telecommunications Facilities under Title II and M.G.L. c. 166. The jurisdiction of the Town over such Telecommunications Facilities is restricted by federal and state law, and the Town does not and will not assert jurisdiction over Licensee's FTTP Network in contravention of those limitations.

5. SYSTEM FACILITIES

5.1. *System Characteristics:* Licensee's Cable System shall meet or exceed the following requirements:

5.1.1. The System shall be designed with an initial digital carrier and analog passband of between 50 and 860 MHz.

5.1.2. The System shall be designed to be an active two-way plant for subscriber interaction, if any, required for the selection or use of Cable Service.

5.2. *Interconnection:* The Licensee shall design its Cable System so that it may be interconnected with other cable systems in the Town. Interconnection of systems may be made by direct cable connection, microwave link, satellite, or other appropriate methods.

5.3. *Emergency Alert System:* Licensee shall comply with the Emergency Alert System (“EAS”) requirements of the FCC in order that emergency messages may be distributed over the System.

6. PEG SERVICES AND SUPPORT

6.1. PEG Set Aside; Interconnection:

6.1.1. In order to ensure universal availability of PEG programming, Licensee shall provide capacity on its Basic Service tier for three (3) Channels for Public Access, Educational Access and Government Access (collectively, “PEG Channels”).

6.1.2. The programming to be carried on each of the PEG Channels set aside by Licensee are reflected on **Exhibit C**. The Issuing Authority hereby authorizes Licensee to transmit such programming within and without the Town’s jurisdictional boundaries. Licensee shall assign the PEG Channels on its channel line-up as set forth in such exhibit to the extent such channel assignments do not interfere with Licensee’s existing or planned channel line-up and contractual obligations, provided it is understood that Licensee specifically reserves the right to make such assignments in its sole discretion. If a PEG Channel provided under this Article is not being utilized by the Town, Licensee may utilize such PEG Channel, in its sole discretion, until such time as the Town elects to utilize the PEG Channel for its intended purpose. In the event that the Town determines to use such PEG capacity, the Town shall provide Licensee with 120 days’ prior written notice of such request.

6.1.3. Licensee shall use reasonable efforts to interconnect its Cable System with the existing cable operator(s). Prior to the Service Date, the Licensee shall initiate interconnection negotiations with the existing cable operator(s) to cablecast, on a live basis, PEG programming consistent with this License. Interconnection may be accomplished by direct cable, microwave link, satellite or other reasonable method of connection. Licensee shall negotiate in good faith with existing cable operator(s) respecting reasonable, mutually convenient, cost-effective, and technically viable interconnection points, methods, terms and conditions. The Issuing Authority shall require the existing cable operator(s) to provide such interconnection to the Licensee on reasonable terms and conditions. The Licensee and the existing cable operator(s) shall negotiate the precise terms and conditions of an interconnection agreement. Licensee shall have twelve months from the Effective Date (irrespective of the Service Date) to negotiate an interconnection agreement (provided that the Issuing Authority and Licensee may agree to additional time). The Issuing Authority shall use its best efforts to facilitate these negotiations. Upon request of Licensee, the Issuing Authority shall assist in mediating disputes. If no agreement is reached within the above time frame due to inability to

reach agreement as to interconnection point, the Issuing Authority shall designate the point of interconnection with the objective of designating an interconnection point at the closest technically feasible location on Licensee's Cable System permitting the transmission of high quality signals between cable systems for the least cost. If the cost of interconnection would be unreasonable, interconnection is not technically feasible or would cause an unacceptable increase in Subscriber rates, or if an existing cable operator will not agree to reasonable terms and conditions of interconnection, the Licensee will be under no obligation to carry PEG programming originating on the cable system of the existing cable operator or to interconnect the Cable System. If the Issuing Authority is unable to mediate a dispute or an interconnection agreement cannot otherwise be reached, the Issuing Authority and Licensee shall determine a reasonable timeframe and cost sharing for direct connection with the subject origination point and the carriage of PEG programming.

6.2. PEG Grant and PEG Access Support:

6.2.1. Licensee shall provide an annual grant to the Town or its designee to be used for the support of the production of local PEG programming (the "PEG Grant"). Such grant shall be used by the Town or its designee solely for PEG access equipment, including, but not limited to, studio and portable production equipment, editing equipment and program playback equipment, or for renovation or construction of PEG access facilities. The PEG Grant provided by Licensee hereunder shall be the sum of \$_____ per month, per Subscriber in the Town to Licensee's Basic Service and paid pursuant to Section 6.2.3 below.

6.2.2. Licensee shall provide payments to the Town or its designee to be used to support ongoing operations of PEG access programming (the "PEG Access Support"). Such payment shall be used by the Town or its designee solely for personnel, operating and other related expenses incurred in connection with PEG access programming operations. Subject to the limitations in Section 7.2, the PEG Access Support provided by Licensee hereunder shall be up to _____ percent (____%) of Licensee's annual Gross Revenues and paid pursuant to Section 6.2.3 below. Each payment made pursuant to this Section 6.2.2 shall be accompanied by a statement certified by a duly authorized representative of Licensee documenting, in reasonable detail, the basis for the computation.

6.2.3. The annual PEG Grant payments (Section 6.2.1) shall be made no later than March 15 of each year during the term of this License. The PEG Access Support payments (Section 6.2.2) shall be made no later than forty-five (45) days following the end of each calendar quarter. Licensee shall be allowed to submit or correct any payments that were incorrectly omitted, or shall be refunded any payments that were incorrectly submitted, in connection with the quarterly remittances within ninety (90) days following the close of the calendar year for which such payments were applicable. For purposes of the PEG Access Support payment, the period for determining Gross Revenues shall be the preceding calendar quarter. If Cable Services subject to the calculation of Gross Revenues are provided to Subscribers in conjunction with Non-Cable Services, the amount of such revenue included in the calculation of Gross Revenues shall be only the value of the Cable Services, as reflected on the books and records of Licensee in accordance with FCC or State rules, regulations, standards or orders.

6.3. *Indemnity for PEG.* The Issuing Authority shall require all local producers and users of any of the PEG facilities or Channels to agree in writing to authorize Licensee to transmit programming consistent with this License and to hold harmless and defend Licensee and the Town from and against any and all liability or other injury, including the reasonable cost of defending claims or litigation, arising from or in connection with claims for failure to comply with applicable federal laws, rules, regulations or other requirements of local, state or federal authorities; for claims of libel, slander, invasion of privacy, or the infringement of common law or statutory copyright; for unauthorized use of any trademark, trade name or service mark; for breach of contractual or other obligations owing to third parties by the producer or user; and for any other injury or damage in law or equity, which result from the use of a PEG facility or Channel. The Issuing Authority shall establish rules and regulations for use of PEG facilities consistent with, and as required by, Section 611 of the Communications Act (47 U.S.C. § 531).

6.4. *Recovery of Costs.* To the extent permitted by federal law, the Licensee shall be allowed to recover the costs of the PEG Grant, the PEG Access Support and any other costs arising from the provision of PEG services and INET-related payments from Subscribers and to include such costs as a separately billed line item on each Subscriber's bill. Without limiting the foregoing, if allowed under State and federal laws, Licensee may externalize, line-item, or otherwise pass-through interconnection costs to Subscribers.

7. LICENSE FEES

7.1. *License Fee:* Pursuant to Section 9 of the Massachusetts Cable Law, the Licensee shall pay to the Town, throughout the term of this License, a license fee equal to fifty cents (\$.50) per Subscriber per year (the "License Fee").

7.2. *Maximum Financial Obligation:* The Licensee shall not be liable for a total financial commitment pursuant to this License and applicable law in excess of ____ percent (____%) of its annual Gross Revenues; provided that such _____ percent (____%) shall include (i) the License Fee payable to the Town (Section 7.1), (ii) the license fee payable to the Commonwealth of Massachusetts pursuant to Section 9 of the Massachusetts Cable Law, and (iii) the PEG Access Support (Section 6.2.2), but it shall not include the PEG Grant (Section 6.2.1).

7.3. *Payment Information:* In determining the License Fee, the number of Subscribers shall be measured as of December 31 of the preceding calendar year. The License Fee shall be paid no later than March 15 of each year during the term of this License.

7.4. *Limitation on Actions:* The parties agree that the period of limitation for recovery of any payment obligation under this Agreement shall be three (3) years from the date on which payment by Licensee is due.

8. CUSTOMER SERVICE

Customer Service Requirements are set forth in Exhibit D, which shall be binding unless amended by written consent of the parties.

9. REPORTS AND RECORDS

9.1. *Open Books and Records:* Upon reasonable written notice to the Licensee and with no less than thirty (30) business days written notice to the Licensee, the Issuing Authority shall have the right to inspect Licensee's books and records pertaining to Licensee's provision of Cable Service in the Town at any time during Normal Business Hours and on a nondisruptive basis, as are reasonably necessary to ensure compliance with the terms of this License. Such notice shall specifically reference the section or subsection of this License which is under review, so that Licensee may organize the necessary books and records for appropriate access by the Issuing Authority. Licensee shall not be required to maintain any books and records for License compliance purposes longer than three (3) years. Notwithstanding anything to the contrary set forth herein, Licensee shall not be required to disclose information that it reasonably deems to be proprietary or confidential in nature, nor disclose any of its or an Affiliate's books and records not relating to the provision of Cable Service in the Town. The Issuing Authority shall treat any information disclosed by Licensee as confidential and shall only disclose it to employees, representatives, and agents thereof that have a need to know, or in order to enforce the provisions hereof. Licensee shall not be required to provide Subscriber information in violation of Section 631 of the Communications Act, 47 U.S.C. § 551.

9.2. *Records Required:* Licensee shall at all times maintain:

9.2.1. Records of all written complaints for a period of three (3) years after receipt by Licensee. The term "complaint" as used herein shall mean any written or verbal contact with Licensee in connection with a subscription in which a Subscriber expresses dissatisfaction with an act, omission, product or service relating to the provision of Cable Services in the Town that is (i) within Licensee's control, and (ii) requires a corrective measure on the part of Licensee. Complaints recorded will not be limited to complaints requiring an employee service call;

9.2.2. Records of outages for a period of three (3) years after occurrence, indicating date, duration, area, and the number of Subscribers affected, type of outage, and cause;

9.2.3. Records of service calls for repair and maintenance for a period of three (3) years after resolution by Licensee, indicating the date and time service was required, the date of acknowledgment and date and time service was scheduled (if it was scheduled), and the date and time service was provided, and (if different) the date and time the problem was resolved;

9.2.4. Records of installation/reconnection and requests for service extension for a period of three (3) years after the request was fulfilled by Licensee, indicating the date of request, date of acknowledgment, and the date and time service was extended; and

9.2.5. A map showing the area of coverage for the provisioning of Cable Services and estimated timetable to commence providing Cable Service.

10. INSURANCE AND INDEMNIFICATION

10.1. Insurance:

10.1.1. Licensee shall maintain in full force and effect, at its own cost and expense, during the term of this License, the following insurance coverage:

10.1.1.1. Commercial General Liability Insurance in the amount of one million dollars (\$1,000,000) combined single limit for property damage and bodily injury. Such insurance shall cover the construction, operation and maintenance of the Cable System, and the conduct of Licensee's Cable Service business in the Town.

10.1.1.2. Automobile Liability Insurance in the amount of one million dollars (\$1,000,000) combined single limit for bodily injury and property damage coverage.

10.1.1.3. Workers' Compensation Insurance meeting all legal requirements of the Commonwealth of Massachusetts.

10.1.1.4. Employers' Liability Insurance in the following amounts: (A) Bodily Injury by Accident: \$100,000; and (B) Bodily Injury by Disease: \$100,000 employee limit; \$500,000 policy limit.

10.1.1.5. Excess liability or umbrella coverage of not less than ____ million dollars (\$__,000,000).

10.1.2. The Town shall be designated as additional insured under each of the insurance policies required in this Article 10 except Worker's Compensation and Employer's Liability Insurance.

10.1.3. Licensee shall not cancel any required insurance policy without submitting documentation to the Issuing Authority verifying that the Licensee has obtained alternative insurance in conformance with this Agreement.

10.1.4. Each of the required insurance policies shall be with sureties qualified to do business in the State of Massachusetts, with a B+ or better rating for financial condition and financial performance by Best's Key Rating Guide, Property/Casualty Edition.

10.1.5. Upon written request, Licensee shall deliver to the Issuing Authority Certificates of Insurance showing evidence of the required coverage.

10.2. Indemnification:

10.2.1. Licensee shall indemnify and hold the Town harmless at all times during the term of this License from any and all claims and actions for injury and damage to persons or property, both real and personal, caused by the installation, operation, or maintenance of any structure, equipment, wire or cable authorized to be installed pursuant to this License, provided that the Town shall give Licensee written notice of its request for indemnification within ten (10) days of receipt of a claim pursuant to this subsection. Notwithstanding the foregoing, Licensee shall not indemnify the Town for any damages, liability or claims resulting from the willful misconduct or negligence of the Town, its officers, agents, employees, attorneys, consultants, independent contractors or third parties or for any activity or function conducted by any Person other than Licensee in connection with PEG Access or EAS, or the distribution of any Cable Service over the Cable System.

10.2.2. With respect to Licensee's indemnity obligations set forth in Section 10.2.1, Licensee shall, at its own expense, provide the defense of any claims brought against the Town by selecting counsel of Licensee's choice to defend the claim, subject to the consent of the Town, which shall not unreasonably be withheld. Nothing herein shall be deemed to prevent the Town from cooperating with the Licensee and participating in the defense of any litigation by its own counsel at its own cost and expense, provided however, that after consultation with the Town, Licensee shall have the right to defend, settle or compromise any claim or action arising hereunder, and Licensee shall have the authority to decide the appropriateness and the amount of any such settlement. In the event that the terms of any such settlement do not include the release of the Town and the Town does not consent to the terms of any such settlement or compromise, Licensee shall not settle the claim or action but its obligation to indemnify the Town shall in no event exceed the amount of such settlement.

10.2.3. The Town shall hold harmless and defend Licensee from and against, and shall be responsible for, damages, liability or claims resulting from or arising out of the willful misconduct or negligence of the Town.

10.2.4. The Town shall be responsible for its own acts of willful misconduct or negligence, or breach of obligation, subject to any and all defenses and limitations of liability provided by law. The Licensee shall not be required to indemnify the Town for acts of the Town which constitute willful misconduct or negligence, on the part of the Town, its officers, employees, agents, attorneys, consultants, independent contractors or third parties.

10.3. *Performance Bond.* Prior to the Service Date, Licensee shall provide to the Town, and shall maintain throughout the term of this License, a performance bond in the Town's favor in the amount of _____Dollars (\$_____) securing the performance of Licensee's obligations under this License. The performance bond shall be substantially in the form of **Exhibit E**. In the event that a performance bond provided pursuant to this License is not renewed or is cancelled, Licensee shall provide new security pursuant to this Article within thirty (30) days of such failure to renew or cancellation. Neither cancellation, nor termination nor refusal by the surety to extend the bond, nor the inability of Licensee to file a replacement bond or replacement security for its obligations under this License, shall constitute a loss to the Town recoverable under the bond.

11. TRANSFER OF LICENSE

Subject to Section 617 of the Communications Act, 47 U.S.C. § 537, no Transfer of this License shall occur without the prior consent of the Issuing Authority, provided that such consent shall not be unreasonably withheld, delayed or conditioned. No such consent shall be required, however, for a transfer in trust, by mortgage, by other hypothecation, by assignment of any rights, title, or interest of the Licensee in this License or the Cable System in order to secure indebtedness, or otherwise for transactions otherwise excluded under Section 1.43.2 above.

12. RENEWAL OF LICENSE

12.1. *Governing Law:* The Town and Licensee agree that any proceedings undertaken by the Town that relate to the renewal of this License shall be governed by and comply with the provisions of Section 626 of the Communications Act, 47 U.S.C. § 546 and applicable provisions of the Massachusetts Cable Law.

12.2. *Needs Assessments:* In addition to the procedures set forth in Section 626 of the Communications Act, the Town shall notify Licensee of all of its assessments regarding the identity of future cable-related community needs and interests, as well as the past performance of Licensee under the terms of this License. Such assessments shall be provided to Licensee by the Town promptly so that Licensee has adequate time to submit a proposal under Section 626 of the Communications Act and complete renewal of this License prior to expiration of its term.

12.3. *Informal Negotiations:* Notwithstanding anything to the contrary set forth herein, Licensee and the Town agree that at any time during the term of the then current License, while affording the public appropriate notice and opportunity to comment, the Town and Licensee may agree to undertake and finalize informal negotiations regarding renewal of the then current License and the Issuing Authority may grant a renewal thereof.

12.4. *Consistent Terms:* Licensee and the Town consider the terms set forth in this Article 12 to be consistent with the express provisions of Section 626 of the Communications Act.

13. ENFORCEMENT AND TERMINATION OF LICENSE

13.1. *Notice of Violation:* If at any time the Issuing Authority believes that Licensee has not complied with the terms of this License, the Issuing Authority shall informally discuss the matter with Licensee. If these discussions do not lead to resolution of the problem in a reasonable time, the Issuing Authority shall then notify Licensee in writing of the exact nature of the alleged noncompliance (for purposes of this Article, the "Noncompliance Notice").

13.2. *Licensee's Right to Cure or Respond:* Licensee shall have thirty (30) days from receipt of the Noncompliance Notice to: (i) respond to the Issuing Authority, if Licensee contests (in whole or in part) the assertion of noncompliance; (ii) cure such noncompliance; or (iii) in the event that, by its nature, such noncompliance cannot be cured within such thirty (30)

day period, initiate reasonable steps to remedy such noncompliance and notify the Issuing Authority of the steps being taken and the date by which they are projected to be completed. Upon cure of any noncompliance, the Town shall provide Licensee with written confirmation that such cure has been effected.

13.3. *Public Hearing:* In the event that Licensee fails to respond to the Noncompliance Notice pursuant to the procedures required by this Article, or in the event that the alleged noncompliance is not remedied within thirty (30) days or the date projected pursuant to Section 13.2(iii) above, if the Town seeks to continue its investigation into the alleged noncompliance, then the Issuing Authority shall schedule a public hearing. The Issuing Authority shall provide Licensee at least thirty (30) business days prior written notice of such public hearing, which will specify the time, place and purpose of such public hearing, and provide Licensee the opportunity to be heard.

13.4. *Enforcement:* Subject to applicable federal and State law, in the event the Issuing Authority, after the public hearing set forth in Section 13.3, determines that Licensee is in default of any provision of this License, the Issuing Authority may:

13.4.1. Seek specific performance of any provision, which reasonably lends itself to such remedy, as an alternative to damages; or

13.4.2. Commence an action at law for monetary damages or seek other equitable relief; or

13.4.3. In the case of a substantial noncompliance of a material provision of this License, seek to revoke this License in accordance with Section 13.5.

13.5. *Revocation:* Should the Issuing Authority seek to revoke this License after following the procedures set forth in this Article, including the public hearing described in Section 13.3, the Issuing Authority shall give written notice to Licensee of such intent. The notice shall set forth the specific nature of the noncompliance. The Licensee shall have ninety (90) days from receipt of such notice to object in writing and to state its reasons for such objection. In the event the Issuing Authority has not received a satisfactory response from Licensee, it may then seek termination of this License at a second public hearing. The Issuing Authority shall cause to be served upon the Licensee, at least thirty (30) business days prior to such public hearing, a written notice specifying the time and place of such hearing and stating its intent to revoke this License.

13.5.1. At the designated public hearing, Licensee shall be provided a fair opportunity for full participation, including the rights to be represented by legal counsel, to introduce relevant evidence, to require the production of evidence, to compel the relevant testimony of the officials, agents, employees or consultants of the Issuing Authority, to compel the testimony of other persons as permitted by law, and to question and/or cross examine witnesses. A complete verbatim record and transcript shall be made of such hearing.

13.5.2. Following the second public hearing, Licensee shall be provided up to thirty (30) days to submit its proposed findings and conclusions to the Issuing Authority in

writing and thereafter the Issuing Authority shall determine (i) whether an event of default has occurred under this License; (ii) whether such event of default is excusable; and (iii) whether such event of default has been cured or will be cured by the Licensee. The Issuing Authority shall also determine whether it will revoke this License based on the information presented, or, where applicable, grant additional time to the Licensee to effect any cure. If the Issuing Authority determines that it will revoke this License, the Issuing Authority shall promptly provide Licensee with a written determination setting forth the Issuing Authority's reasoning for such revocation. Licensee may appeal such written determination of the Issuing Authority to the Cable Division or to an appropriate court, which shall have the power to review the decision of the Issuing Authority *de novo*. Licensee shall be entitled to such relief as the court finds appropriate. Such appeal must be taken within sixty (60) days of Licensee's receipt of the written determination of the Issuing Authority.

13.5.3. The Issuing Authority may, at its sole discretion, take any lawful action that it deems appropriate to enforce the Issuing Authority's rights under this License in lieu of revocation of this License.

13.6. *Licensee Termination:* Licensee shall have the right to terminate this License and all obligations hereunder within ninety (90) days after the end of three (3) years from the Service Date of this License, if at the end of such three (3) year period Licensee does not then in good faith believe it has achieved a commercially reasonable level of Subscriber penetration on its Cable System. Licensee may consider Subscriber penetration levels outside the Town in this determination. Notice to terminate under this Section 13.6 shall be given to the Town in writing, with such termination to take effect no sooner than one hundred and twenty (120) days after giving such notice. Licensee shall also be required to give its then current Subscribers not less than ninety (90) days prior written notice of its intent to cease Cable Service operations.

14. MISCELLANEOUS PROVISIONS

14.1. *Actions of Parties:* In any action by the Town or Licensee that is mandated or permitted under the terms hereof, such party shall act in a reasonable, expeditious, and timely manner. Furthermore, in any instance where approval or consent is required under the terms hereof, such approval or consent shall not be unreasonably withheld, delayed or conditioned.

14.2. *Binding Acceptance:* This Agreement shall bind and benefit the parties hereto and their respective heirs, beneficiaries, administrators, executors, receivers, trustees, successors and assigns, and the promises and obligations herein shall survive the expiration date hereof.

14.3. *Preemption:* In the event that federal or State law, rules, or regulations preempt a provision or limit the enforceability of a provision of this Agreement, the provision shall be read to be preempted to the extent and for the time, but only to the extent and for the time, required by law. In the event such federal or State law, rule or regulation is subsequently repealed, rescinded, amended or otherwise changed so that the provision hereof that had been

preempted is no longer preempted, such provision shall thereupon return to full force and effect, and shall thereafter be binding on the parties hereto, without the requirement of further action on the part of the Issuing Authority.

14.4. *Force Majeure:* Licensee shall not be held in default under, or in noncompliance with, the provisions of this License, nor suffer any enforcement or penalty relating to noncompliance or default, where such noncompliance or alleged defaults occurred or were caused by a Force Majeure. Furthermore, the parties hereby agree that it is not the Town’s intention to subject Licensee to penalties, fines, forfeitures or revocation of this License for violations of this License where the violation was a good faith error that resulted in no or minimal negative impact on Subscribers, or where strict performance would result in practical difficulties and hardship being placed upon Licensee that outweigh the benefit to be derived by the Town and/or Subscribers.

14.5. *Performance Evaluations.* If, during the term of this License, the Town conducts an evaluation of Licensee’s performance under this License or otherwise related to Licensee’s provision of Cable Service in the Town, then the Town shall provide Licensee with a written report with respect to Licensee’s compliance within ten (10) days after the conclusion of such evaluation.

14.6. *Notices:* Unless otherwise expressly stated herein, notices required under this License shall be mailed first class, postage prepaid, to the addressees below. Each party may change its designee by providing written notice to the other party.

14.6.1. Notices to Licensee shall be mailed to:

Verizon New England, Inc.
185 Franklin Street
Boston, MA 02110
Attention: Donna C. Cupelo, President

14.6.2. with a copy to:

Verizon Telecom
One Verizon Way
Room VC43E010
Basking Ridge, NJ 07920-1097
Attention: Jack White, Senior VP and Deputy General Counsel

14.6.3. Notices to the Issuing Authority shall be mailed to:

Town of _____

Attention: _____

14.7. *Entire Agreement:* This License and the Exhibits hereto constitute the entire agreement between Licensee and the Town, and it supersedes all prior or contemporaneous agreements, representations or understandings (written or oral) of the parties regarding the subject matter hereof.

14.8. *Amendments:* Amendments or modifications to this License shall be mutually agreed to in writing by the parties.

14.9. *Captions:* The captions and headings of articles and sections throughout this Agreement are intended solely to facilitate reading and reference to the sections and provisions of this Agreement. Such captions shall not affect the meaning or interpretation of this Agreement.

14.10. *Severability:* If any section, subsection, sentence, paragraph, term, or provision hereof is determined to be illegal, invalid, or unenforceable by any court of competent jurisdiction or by any State or federal regulatory authority having jurisdiction thereof, such determination shall have no effect on the validity of any other section, subsection, sentence, paragraph, term or provision hereof, all of which will remain in full force and effect for the term of this License.

14.11. *Recitals:* The recitals set forth in this Agreement are incorporated into the body of this Agreement as if they had been originally set forth herein.

14.12. *FTTP Network Transfer Prohibition:* Under no circumstance including, without limitation, upon expiration, revocation, termination, surrender, denial of renewal of this License or any other action to forbid or disallow Licensee from providing Cable Services, shall Licensee or its assignees be required to sell any right, title, interest, use or control of any portion of Licensee's FTTP Network including, without limitation, the Cable System and any capacity used for Cable Service or otherwise, to the Town or any third party. Licensee shall not be required to remove the FTTP Network or to relocate the FTTP Network or any portion thereof as a result of revocation, expiration, termination, surrender, denial of renewal or any other action to forbid or disallow Licensee from providing Cable Services. This provision is not intended to contravene leased access requirements under Title VI or the PEG requirements set out in this Agreement.

14.13. *Interpretation:* The Town and Licensee each acknowledge that it has received independent legal advice in entering into this Agreement. In the event that a dispute arises over the meaning or application of any term(s) of this Agreement, such term(s) shall not be construed by the reference to any doctrine calling for ambiguities to be construed against the drafter of the Agreement.

14.14. *No Third Party Beneficiary:* Nothing in this License shall be construed to create or confer any rights or benefits to any third party.

[SIGNATURE PAGE FOLLOWS]

AGREED TO THIS ____ DAY OF _____, 2006.

TOWN OF ACTON
By its Board of Selectmen:

VERIZON NEW ENGLAND, INC.

By: _____
Donna C. Cupelo, President

EXHIBITS

EXHIBIT A – SERVICE AREA MAP

EXHIBIT B – MUNICIPAL BUILDINGS TO BE PROVIDED FREE CABLE SERVICE

EXHIBIT C – PEG CHANNELS

EXHIBIT D – CUSTOMER SERVICE STANDARDS

EXHIBIT E – PERFORMANCE BOND

EXHIBIT A

SERVICE AREA MAP

(See attached map)

EXHIBIT B

MUNICIPAL BUILDINGS TO BE PROVIDED FREE CABLE SERVICE

EXHIBIT C
PEG CHANNELS

EXHIBIT D

CUSTOMER SERVICE STANDARDS

These standards shall, starting twelve (12) months after the Service Date, apply to the Licensee to the extent it is providing Cable Services over the Cable System in the Town.

SECTION 1: DEFINITIONS

A. Respond: Licensee's investigation of a Service Interruption by receiving a Subscriber call and opening a trouble ticket, if required.

B. Service Call: The action taken by the Licensee to correct a Service Interruption the effect of which is limited to an individual Subscriber.

C. Significant Outage: A significant outage of the Cable Service shall mean any Service Interruption lasting at least four (4) continuous hours that affects at least ten percent (10%) of the Subscribers in the Service Area.

D. Standard Installation: Installations where the Subscriber is within one hundred twenty five (125) feet of trunk or feeder lines.

SECTION 2: TELEPHONE AVAILABILITY

A. The Licensee shall maintain a toll-free number to receive all calls and inquiries from Subscribers in the Town and/or residents regarding Cable Service. Licensee representatives trained and qualified to answer questions related to Cable Service in the Service Area must be available to receive reports of Service Interruptions twenty-four (24) hours a day, seven (7) days a week, and other inquiries at least forty-five (45) hours per week. Licensee representatives shall identify themselves by name when answering this number.

B. The Licensee's telephone numbers shall be listed, with appropriate description (e.g. administration, customer service, billing, repair, etc.), in the directory published by the local telephone company or companies serving the Service Area, beginning with the next publication cycle after acceptance of this License by the Licensee.

C. Licensee may use an Automated Response Unit ("ARU") or a Voice Response Unit ("VRU") to distribute calls. If a foreign language routing option is provided, and the Subscriber does not enter an option, the menu will default to the first tier menu of English options.

After the first tier menu (not including a foreign language rollout) has run through three times, if customers do not select any option, the ARU or VRU will forward the call to a queue for a live representative. The Licensee may reasonably substitute this requirement with another method of handling calls from customers who do not have touch-tone telephones.

D. Under Normal Operating Conditions, calls received by the Licensee shall be answered within thirty (30) seconds. The Licensee shall meet this standard for ninety percent (90%) of the calls it receives at all call centers receiving calls from Subscribers, as measured on a cumulative quarterly calendar basis. Measurement of this standard shall include all calls received by the Licensee at all call centers receiving calls from Subscribers, whether they are answered by a live representative, by an automated attendant, or abandoned after 30 seconds of call waiting.

E. Under Normal Operating Conditions, callers to the Licensee shall receive a busy signal no more than three (3%) percent of the time during any calendar quarter.

F. Upon request from the Town, but in no event more than once a quarter thirty (30) days following the end of each quarter, the Licensee shall report to the Town the following for all call centers receiving calls from Subscribers except for temporary telephone numbers set up for national promotions:

(1) Percentage of calls answered within thirty (30) seconds as set forth in Subsection 2.D.

(2) Percentage of time customers received busy signal when calling the Verizon service center as set forth in Subsection 2.E.

Subject to consumer privacy requirements, underlying activity will be made available to the Town for review upon reasonable request.

G. At the Licensee's option, the measurements and reporting above may be changed from calendar quarters to billing or accounting quarters. The Licensee shall notify the Town of such a change at least thirty (30) days in advance of any implementation.

SECTION 3: INSTALLATIONS AND SERVICE APPOINTMENTS

A. All installations will be in accordance with FCC rules, including but not limited to, appropriate grounding, connection of equipment to ensure reception of Cable Service, and the provision of required consumer information and literature to adequately inform the Subscriber in the utilization of the Licensee-supplied equipment and Cable Service.

B. The Standard Installation shall be performed within seven (7) business days after the placement of the Optical Network Terminal ("ONT") on the customer's premises or within seven (7) business days after an order is placed if the ONT is already installed on the customer's premises.

The Licensee shall meet this standard for ninety-five percent (95%) of the Standard Installations it performs, as measured on a calendar quarter basis, excluding customer requests

for connection later than seven (7) days after ONT placement or later than seven (7) days after an order is placed if the ONT is already installed on the customer's premises.

C. The Licensee shall provide the Town with a report upon request from the Town, but in no event more than once a quarter thirty (30) days following the end of each quarter, noting the percentage of Standard Installations completed within the seven (7) day period, excluding those requested outside of the seven (7) day period by the Subscriber. Subject to consumer privacy requirements, underlying activity will be made available to the Town for review upon reasonable request.

At the Licensee's option, the measurements and reporting of above may be changed from calendar quarters to billing or accounting quarters. The Licensee shall notify the Town of such a change not less than thirty (30) days in advance.

D. The Licensee will offer Subscribers "appointment window" alternatives for arrival to perform installations, Service Calls and other activities of a maximum four (4) hours scheduled time block during appropriate daylight available hours, usually beginning at 8:00 AM unless it is deemed appropriate to begin earlier by location exception. At the Licensee's discretion, the Licensee may offer Subscribers appointment arrival times other than these four (4) hour time blocks, if agreeable to the Subscriber. These hour restrictions do not apply to weekends.

SECTION 4: SERVICE INTERRUPTIONS AND OUTAGES

A. The Licensee shall notify the Town of any Significant Outage of the Cable Service.

B. The Licensee shall exercise commercially reasonable efforts to limit any Significant Outage for the purpose of maintaining, repairing, or constructing the Cable System. Except in an emergency or other situation necessitating a more expedited or alternative notification procedure, the Licensee may schedule a Significant Outage for a period of more than four (4) hours during any twenty-four (24) hour period only after the Town and each affected Subscriber in the Service Area have been given fifteen (15) days prior notice of the proposed Significant Outage. Notwithstanding the foregoing, the Licensee may perform modifications, repairs and upgrades to the System between 12:01 a.m. and 6 a.m. which may interrupt service, and this Section's notice obligations respecting such possible interruptions will be satisfied by notice provided to Subscribers upon installation and in the annual subscriber notice.

C. Licensee representatives who are capable of responding to Service Interruptions must be available to Respond twenty-four (24) hours a day, seven (7) days a week.

D. Under Normal Operating Conditions, the Licensee must Respond to a call from a Subscriber regarding a Service Interruption or other service problems within the following time frames:

(1) Within twenty-four (24) hours, including weekends, of receiving Subscriber calls respecting Service Interruptions in the Service Area.

(2) The Licensee must begin actions to correct all other Cable Service problems the next business day after notification by the Subscriber or the Town of a Cable Service problem.

E. Under Normal Operating Conditions, the Licensee shall complete Service Calls within seventy-two (72) hours of the time Licensee commences to Respond to the Service Interruption, not including weekends and situations where the Subscriber is not reasonably available for a Service Call to correct the Service Interruption within the seventy-two (72) hour period.

F. The Licensee shall meet the standard in Subsection E. of this Section for ninety percent (90%) of the Service Calls it completes, as measured on a quarterly basis.

G. The Licensee shall provide the Town with a report upon request from the Town, but in no event more than once a quarter within thirty (30) days following the end of each calendar quarter, noting the percentage of Service Calls completed within the seventy-two (72) hour period not including Service Calls where the Subscriber was reasonably unavailable for a Service Call within the seventy-two (72) hour period as set forth in this Section. Subject to consumer privacy requirements, underlying activity will be made available to the Town for review upon reasonable request. At the Licensee's option, the above measurements and reporting may be changed from calendar quarters to billing or accounting quarters. The Licensee shall notify the Town of such a change at least thirty (30) days in advance.

H. Under Normal Operating Conditions, the Licensee shall provide a credit upon Subscriber request when all Channels received by that Subscriber are out of service for a period of twenty-four (24) consecutive hours or more. The credit shall equal, at a minimum, a proportionate amount of the affected Subscriber(s) current monthly bill. In order to qualify for the credit, the Subscriber must promptly report the problem and allow the Licensee to verify the problem if requested by the Licensee. If Subscriber availability is required for repair, a credit will not be provided for such time, if any, that the Subscriber is not reasonably available.

I. Under Normal Operating Conditions, if a Significant Outage affects all Video Programming Cable Services for more than twenty-four (24) consecutive hours, the Licensee shall issue an automatic credit to the affected Subscribers in the amount equal to their monthly recurring charges for the proportionate time the Cable Service was out, or a credit to the affected Subscribers in the amount equal to the charge for the basic plus enhanced basic level of service for the proportionate time the Cable Service was out, whichever is technically feasible or, if both are technically feasible, as determined by Licensee provided such determination is non-discriminatory. Such credit shall be reflected on Subscriber billing statements within the next available billing cycle following the outage.

J. With respect to service issues concerning cable services provided to Town facilities, Licensee shall Respond to all inquiries from the Town within four (4) hours and shall

commence necessary repairs within twenty-four (24) hours under Normal Operating Conditions. If such repairs cannot be completed within twenty-four (24) hours, the Licensee shall notify the Town in writing as to the reason(s) for the delay and provide an estimated time of repair.

SECTION 5: CUSTOMER COMPLAINTS

Under Normal Operating Conditions, the Licensee shall investigate Subscriber complaints referred by the Town within five (5) business days. The Licensee shall notify the Town of those matters that necessitate an excess of five (5) business days to resolve, but those matters must be resolved within fifteen (15) days of the initial complaint. The Town may require reasonable documentation to be provided by the Licensee to substantiate the request for additional time to resolve the problem. For purposes of this Section, "resolve" means that the Licensee shall perform those actions, which, in the normal course of business, are necessary to investigate the Customer's complaint and advise the Customer of the results of that investigation.

SECTION 6: BILLING

A. Subscriber bills must be itemized to describe Cable Services purchased by Subscribers and related equipment charges, and shall include the information required by 207 CMR 10.03(1) in clear, concise and understandable language and format. Bills shall clearly delineate activity during the billing period, including optional charges, rebates, credits, and aggregate late charges. Licensee shall, without limitation as to additional line items, be allowed to itemize as separate line items, License fees, taxes and/or other governmentally imposed fees. The Licensee shall maintain records of the date and place of mailing of bills.

B. Every Subscriber with a current account balance sending payment directly to Licensee shall be given at least five (5) days from the date statements are mailed to the Subscriber until the payment due date.

C. A specific due date shall be listed on the bill of every Subscriber.

D. Any Subscriber who, in good faith, disputes all or part of any bill shall have the option of withholding the disputed amount without disconnect or late fee being assessed until the dispute is resolved provided that:

- (1) The Subscriber pays all undisputed charges;
- (2) The Subscriber provides notification of the dispute to Licensee within thirty (30) days after the due date; and
- (3) The Subscriber cooperates in determining the accuracy and/or appropriateness of the charges in dispute.

E. The Licensee shall notify the Subscriber of the result of its investigation of any complaint and shall give an explanation for its decision within 30 business days after the receipt of the complaint. The Subscriber shall forfeit any rights under 207 CMR 10.07 if he or she fails to pay the undisputed balance within 30 days. Any Subscriber who disagrees with the results of Licensee's investigation shall promptly inquire about and take advantage of any complaint resolution mechanism, formal or informal, available under this License or through the Issuing Authority before the Cable Division may accept a petition. The Subscriber or Licensee may petition the Cable Division to resolve disputed matters within 30 days of any final action.

F. The Licensee shall forward a copy of any Cable Service related billing inserts or other mailing sent to Subscribers to the Town upon request.

G. The Licensee shall provide all Subscribers with the option of paying for Cable Service by check or an automatic payment option where the amount of the bill is automatically deducted from a checking account designated by the Subscriber. Licensee may in the future, at its' discretion, permit payment by using a major credit card on a preauthorized basis. Based on credit history, at the option of the Licensee, the payment alternative may be limited.

H. The Issuing Authority hereby requests that Licensee omit the information specified in 47 C.F.R. §76.952(a) from its Subscriber bills.

SECTION 7: DEPOSITS, REFUNDS AND CREDITS

A. The Licensee may require refundable deposits from Subscribers with 1) a poor credit or poor payment history, 2) who refuse to provide credit history information to the Licensee, or 3) who rent Subscriber equipment from the Licensee, so long as such deposits are applied on a non-discriminatory basis. The deposit the Licensee may charge Subscribers with poor credit or poor payment history or who refuse to provide credit information may not exceed an amount equal to an average Subscriber's monthly charge multiplied by six (6). The maximum deposit the Licensee may charge for Subscriber equipment is the cost of the equipment which the Licensee would need to purchase to replace the equipment rented to the Subscriber.

B. The Licensee shall refund or credit the Subscriber for the amount of the deposit collected for equipment, which is unrelated to poor credit or poor payment history, after one year and provided the Subscriber has demonstrated good payment history during this period.

C. Under Normal Operating Conditions, refund checks will be issued within the next available billing cycle following the resolution of the event giving rise to the refund (e.g., equipment return and final bill payment).

D. Credits for Cable Service will be issued no later than the Subscriber's next available billing cycle, following the determination that a credit is warranted, and the credit is approved and processed. Such approval and processing shall not be unreasonably delayed.

E. Bills shall be considered paid when appropriate payment is received by the Licensee or its' authorized agent. Appropriate time considerations shall be included in the Licensee's collection procedures to assure that payments due have been received before late notices or termination notices are sent.

SECTION 8: RATES, FEES AND CHARGES

A. The Licensee shall not, except to the extent permitted by law, impose any fee or charge for Service Calls to a Subscriber's premises to perform any repair or maintenance work related to Licensee equipment necessary to receive Cable Service, except where such problem is caused by a negligent or wrongful act of the Subscriber (including, but not limited to a situation in which the Subscriber reconnects Licensee equipment incorrectly) or by the failure of the Subscriber to take reasonable precautions to protect the Licensee's equipment (for example, a dog chew).

B. The Licensee shall provide reasonable notice to Subscribers of the possible assessment of a late fee on bills or by separate notice.

SECTION 9: DISCONNECTION /DENIAL OF SERVICE

A. The Licensee shall not terminate Cable Service for nonpayment of a delinquent account unless the Licensee mails a notice of the delinquency and impending termination prior to the proposed final termination. The notice of termination shall be mailed to the Subscriber to whom the Cable Service is billed. The notice of delinquency and impending termination may be part of a billing statement.

B. Cable Service terminated in error must be restored without charge within twenty-four (24) hours of notice. If a Subscriber was billed for the period during which Cable Service was terminated in error, a credit shall be issued to the Subscriber if the Service Interruption was reported by the Subscriber.

C. Nothing in these standards shall limit the right of the Licensee to deny Cable Service for non-payment of previously provided Cable Services, refusal to pay any required deposit, theft of Cable Service, damage to the Licensee's equipment, abusive and/or threatening behavior toward the Licensee's employees or representatives, or refusal to provide credit history information or refusal to allow the Licensee to validate the identity, credit history and credit worthiness via an external credit agency.

SECTION 10: COMMUNICATIONS WITH SUBSCRIBERS

A. Licensee shall require that: (i) all Licensee personnel, contractors and subcontractors contacting Subscribers or potential Subscribers outside the office of the Licensee wear a clearly visible identification card bearing their name and photograph; (ii) all Licensee representatives wear appropriate clothing while working at a Subscriber's premises; and (iii)

every service vehicle of the Licensee and its contractors or subcontractors shall (a) be clearly identified as such to the public, (b) have the Licensee's logo plainly visible and (c) have the contractor's / subcontractor's name plus markings (such as a magnetic door sign) indicating they are under contract to the Licensee. In addition, the Licensee shall make reasonable effort to account for all identification cards at all times.

B. Licensee shall require that all contact with a Subscriber or potential Subscriber by a Person representing the Licensee shall be conducted in a courteous manner.

C. The Licensee shall send annual notices to all Subscribers informing them that any complaints or inquiries not satisfactorily handled by the Licensee may be referred to the Town.

D. All notices identified in this Section shall be by either:

(1) A separate document included with a billing statement or included on the portion of the monthly bill that is to be retained by the Subscriber; or

(2) A separate electronic notification

E. The Licensee shall provide reasonable notice to Subscribers of any pricing changes or additional changes (excluding sales discounts, new products or offers) and, subject to the forgoing, any changes in Cable Services, including channel line-ups. Such notice must be given to Subscribers a minimum of thirty (30) days in advance of such changes if within the control of the Licensee, and the Licensee shall provide a copy of the notice to the Town including how and where the notice was given to Subscribers.

F. The Licensee shall provide information to all Subscribers about each of the following items at the time of installation of Cable Services, annually to all Subscribers, at any time upon request, and, subject to Subsection 10.E., at least thirty (30) days prior to making significant changes in the information required by this Section if within the control of the Licensee:

(1) Products and Cable Service offered;

(2) Prices and options for Cable Services and condition of subscription to Cable Services. Prices shall include those for Cable Service options, equipment rentals, program guides, installation, downgrades, late fees and other fees charged by the Licensee related to Cable Service;

(3) Installation and maintenance policies including, when applicable, information regarding the Subscriber's in-home wiring rights during the period Cable Service is being provided;

(4) Channel positions of Cable Services offered on the Cable System;

(5) Complaint procedures, including the name, address and telephone number of the Town, but with a notice advising the Subscriber to initially contact the Licensee about all complaints and questions;

(6) Procedures for requesting Cable Service credit;

(7) The availability of a parental control device;

(8) Licensee practices and procedures for protecting against invasion of privacy; and

(9) The address and telephone number of the Licensee's office to which complaints may be reported.

A copy of notices required in this Subsection 10.F. will be given to the Town at least fifteen (15) days prior to distribution to Subscribers if the reason for notice is due to a change that is within the control of Licensee and as soon as possible if not with the control of Licensee.

G. Notices of changes in rates shall indicate the Cable Service new rates and old rates, if applicable.

H. Notices of changes of Cable Services and/or Channel locations shall include a description of the new Cable Service, the specific channel location, and the hours of operation of the Cable Service if the Cable Service is only offered on a part-time basis. In addition, should the channel location, hours of operation, or existence of other Cable Services be affected by the introduction of a new Cable Service, such information must be included in the notice.

I. Every notice of termination of Cable Service shall include the following information:

(1) The name and address of the Subscriber whose account is delinquent;

(2) The amount of the delinquency for all services billed;

(3) The date by which payment is required in order to avoid termination of Cable Service; and

(4) The telephone number for the Licensee where the Subscriber can receive additional information about their account and discuss the pending termination.

EXHIBIT E

FORM OF PERFORMANCE BOND

Franchise Bond
Bond No. _____

KNOW ALL MEN BY THESE PRESENTS: That (name & address) (hereinafter called the Principal), and (name and address) (hereinafter called the Surety), a corporation duly organized under the laws of the State of (state), are held and firmly bound unto (name & address) (hereinafter called the Obligee), in the full and just sum of _____ Dollars (\$_____), the payment of which sum, well and truly to be made, the said Principal and Surety bind themselves, their heirs, administrators, executors, and assigns, jointly and severally, firmly by these presents.

WHEREAS, the Principal and Obligee have entered into a License Agreement dated _____ which is hereby referred to and made a part hereof.

WHEREAS, said Principal is required to perform certain obligations under said Agreement.

WHEREAS, the Obligee has agreed to accept this bond as security against default by Principal of performance of its obligations under said Agreement during the time period this bond is in effect.

NOW, THEREFORE, THE CONDITION OF THIS OBLIGATION IS SUCH that if the Principal shall perform its obligations under said Agreement, then this obligation shall be void, otherwise to remain in full force and effect, unless otherwise terminated, cancelled or expired as hereinafter provided.

PROVIDED HOWEVER, that this bond is executed subject to the following express provisions and conditions:

1. In the event of default by the Principal, Obligee shall deliver to Surety a written statement of the details of such default within 30 days after the Obligee shall learn of the same, such notice to be delivered by certified mail to address of said Surety as stated herein.
2. This Bond shall be effective _____, 20____, and shall remain in full force and effect thereafter for a period of one year and will automatically extend for additional one year periods from the expiry date hereof, or any future expiration date, unless the Surety provides to the Obligee not less than sixty (60) days advance written notice of its intent not to renew this Bond or unless the Bond is earlier canceled pursuant to the following. This Bond may be canceled at any time upon sixty (60) days advance written notice from the Surety to the Obligee.

Exhibit B

Financial Statements

Verizon New England Inc.

Financial Statements
As of December 31, 2005 and 2004
and for the years then ended

Verizon New England Inc.

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REPORT OF INDEPENDENT AUDITORS

To The Board of Directors and Shareowner
Verizon New England Inc.:

We have audited the accompanying balance sheets of Verizon New England Inc. (the Company) as of December 31, 2005 and 2004, and the related statements of income, changes in shareowner's investment and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Verizon New England Inc. at December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

New York, New York
February 23, 2006

Verizon New England Inc.

STATEMENTS OF INCOME

Years Ended December 31,	(dollars in millions)	
	2005	2004
Operating Revenues	<u>\$ 3,936</u>	<u>\$ 3,955</u>
Operating Expenses		
Cost of services and sales (exclusive of items shown below)	1,744	1,582
Selling, general and administrative expense	879	1,017
Depreciation and amortization expense	<u>1,005</u>	<u>1,065</u>
Total Operating Expenses	<u>3,628</u>	<u>3,664</u>
Operating Income (Loss)	308	291
Other income and (expense), net	19	67
Interest expense	<u>(172)</u>	<u>(165)</u>
Income Before Provision for Income Taxes	155	193
Income tax (provision) benefit	<u>(40)</u>	<u>(50)</u>
Net Income	<u>\$ 115</u>	<u>\$ 143</u>

See Notes to Financial Statements.

Verizon New England Inc.

BALANCE SHEETS

ASSETS

<u>At December 31,</u>	(dollars in millions)	
	2005	2004
Current assets		
Short-term investments	\$ 216	\$ 187
Accounts receivable:		
Trade and other, net of allowances for uncollectibles of \$91 and \$149	658	731
Affiliates	252	181
Material and supplies	26	26
Prepaid expenses	30	17
Deferred income taxes	---	3
Other	110	106
Total current assets	<u>1,292</u>	<u>1,251</u>
Plant, property and equipment	17,832	17,605
Less accumulated depreciation	<u>11,686</u>	<u>11,222</u>
	<u>6,146</u>	<u>6,383</u>
Intangible assets, net	39	62
Prepaid pension asset	102	101
Other assets	<u>447</u>	<u>502</u>
Total assets	<u>\$ 8,026</u>	<u>\$ 8,299</u>

See Notes to Financial Statements.

Verizon New England Inc.

BALANCE SHEETS

LIABILITIES AND SHAREOWNER'S INVESTMENT

<u>At December 31,</u>	(dollars in millions)	
	2005	2004
Current liabilities		
Debt maturing within one year:		
Note payable to affiliate	\$ 470	\$ 168
Other	1	---
Accounts payable and accrued liabilities:		
Affiliates	478	580
Other	396	463
Current deferred income tax liabilities	3	---
Other current liabilities	172	174
Total current liabilities	<u>1,520</u>	<u>1,385</u>
Long-term debt		
Note payable to affiliate	220	220
Other	2,482	2,746
Employee benefit obligations	1,892	1,940
Deferred credits and other liabilities		
Deferred income taxes	519	571
Unamortized investment tax credits	18	20
Other	147	233
	<u>684</u>	<u>824</u>
Shareowner's investment		
Common stock – one share, without par value	1	1
Contributed capital	1,239	1,290
Reinvested earnings	167	112
Accumulated other comprehensive loss	(179)	(219)
Total shareowner's investment	<u>1,228</u>	<u>1,184</u>
Total liabilities and shareowner's investment	<u>\$ 8,026</u>	<u>\$ 8,299</u>

See Notes to Financial Statements.

Verizon New England Inc.

STATEMENTS OF CHANGES IN SHAREOWNER'S INVESTMENT

Years Ended December 31,	(dollars in millions)	
	2005	2004
Common Stock		
Balance at beginning of year	\$ 1	\$ 1
Balance at end of year	<u>1</u>	<u>1</u>
Contributed Capital		
Balance at beginning of year	1,290	1,587
Capital (return)/contribution (with parent)	(51)	(301)
Tax benefit from exercise of stock options	---	4
Balance at end of year	<u>1,239</u>	<u>1,290</u>
Reinvested Earnings		
Balance at beginning of year	112	106
Net income	115	143
Dividends declared	(60)	(137)
Balance at end of year	<u>167</u>	<u>112</u>
Accumulated Other Comprehensive Loss		
Balance at beginning of year	(219)	(145)
Minimum pension liability adjustment (net of income taxes of \$27 and \$(49))	40	(74)
Balance at end of year	<u>(179)</u>	<u>(219)</u>
Total Shareowner's Investment	<u>\$ 1,228</u>	<u>\$1,184</u>
Comprehensive Income		
Net income	\$ 115	\$ 143
Minimum pension liability adjustment (net of income taxes of \$27 and \$(49))	40	(74)
Total Comprehensive Income	<u>\$ 155</u>	<u>\$ 69</u>

See Notes to Financial Statements.

Verizon New England Inc.

STATEMENTS OF CASH FLOWS

Years Ended December 31,	(dollars in millions)	
	2005	2004
Net Cash Provided by Operating Activities		
Income (loss) before cumulative effect of accounting change	\$ 115	\$ 143
Adjustments to reconcile income (loss) before cumulative effect of accounting change to net cash provided by operating activities:		
Depreciation and amortization	1,004	1,065
Employee retirement benefits	297	266
Deferred income taxes, net	(74)	144
Provision for uncollectible accounts	34	128
Equity loss (income) from affiliates	(23)	(59)
Dividends received from equity affiliates	31	37
Changes in current assets and liabilities:		
Accounts receivable	(64)	46
Other current assets	(25)	123
Accounts payable and accrued liabilities	(174)	(474)
Other current liabilities	(3)	(15)
Other, net	(287)	(184)
Net cash provided by operating activities	<u>831</u>	<u>1,220</u>
Cash Flows from Investing Activities		
Capital expenditures (including capitalized network and non-network software)	(755)	(667)
Purchases of short-term investments	(216)	(187)
Proceeds from sale of short-term investments	187	200
Other, net	---	(1)
Net cash used in investing activities	<u>(784)</u>	<u>(655)</u>
Cash Flows from Financing Activities		
Proceeds from borrowings	2	220
Early extinguishment of debt	(250)	---
Principal repayments of borrowings and capital lease obligations	4	---
Net change in note payable to affiliate	302	(344)
Dividends paid	(60)	(137)
Return of capital to parent	(51)	(301)
Net change in outstanding checks drawn on controlled disbursement accounts	6	(2)
Other, net	---	(1)
Net cash used in financing activities	<u>(47)</u>	<u>(565)</u>
Net change in cash	---	---
Cash, beginning of year	---	---
Cash, end of year	<u>\$ ---</u>	<u>\$ ---</u>

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Verizon New England Inc. is a wholly owned subsidiary of NYNEX Corporation (NYNEX), which is a wholly owned subsidiary of Verizon Communications Inc. (Verizon). We presently serve a territory consisting of Local Access and Transport Areas (LATAs) in Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. We have one reportable segment which provides domestic wireline telecommunications services. We currently provide two basic types of telecommunications services:

- *Exchange telecommunication service* is the transmission of telecommunications among customers located within a local calling area within a LATA. Examples of exchange telecommunications services include switched local residential and business services, local private line voice and data services and Centrex services. We also provide toll services within a LATA (intraLATA long distance).
- *Exchange access service* links a customer's premises and the transmission facilities of other telecommunications carriers, generally interLATA carriers. Examples of exchange access services include switched access and special access services.

The communications services we provide are subject to regulation by the state regulatory commissions of Maine, Massachusetts, New Hampshire, Rhode Island and Vermont with respect to intrastate rates and services and other matters. The Federal Communications Commission (FCC) regulates rates that we charge long distance carriers and end-user subscribers for interstate access services.

On April 16, 2001, February 22, 2002, April 17, 2002, June 19, 2002, and September 25, 2002, the FCC released orders approving our applications for permission to enter the in-region long distance markets in Massachusetts, Rhode Island, Vermont, Maine and New Hampshire, respectively. The United States Court of Appeals for the District of Columbia has remanded the Massachusetts order to the FCC for further explanation on one issue, but left our long distance authority in effect. Since April 26, 2001, March 7, 2002, April 30, 2002, July 1, 2002 and October 23, 2002 in-region long distance service is being offered in Massachusetts, Rhode Island, Vermont, Maine and New Hampshire, respectively, by a separate non-regulated subsidiary of Verizon as required by law.

Basis of Presentation

We prepare our financial statements using generally accepted accounting principles in the United States of America which require management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates. Examples of significant estimates include the allowance for doubtful accounts, the recoverability of intangibles and other long-lived assets, valuation allowances on tax assets and pension and postretirement benefit assumptions.

We have a 33-1/3% ownership interest in Telesector Resources Group, Inc. (d/b/a Verizon Services Group) and share voting rights equally with the other owner, Verizon New York Inc. (Verizon New York), which is a wholly owned subsidiary of NYNEX. Verizon Services Group operates in conjunction with Verizon Services Corp. and Verizon Corporate Services Group Inc. (collectively known as Verizon Services) to provide various centralized services on behalf of Verizon's subsidiaries. We use the equity method of accounting for our investment in Verizon Services Group.

We also have a 4.57% ownership interest in SMS/800, a venture that is jointly owned by the Bell Operating Companies. SMS/800 administers the centralized national database system associated with toll free numbers. We use the equity method of accounting for our investment in SMS/800.

We have reclassified certain amounts from prior periods to conform with our current presentation.

Revenue Recognition

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We recognize service revenues based upon usage of our local exchange network and facilities and contract fees. In general, fixed fees for local telephone, long distance and certain other services are billed one month in advance and recognized the following month when earned. Revenue from other products that are not fixed fee or that exceed contracted amounts is recognized when such services are provided.

We recognize revenue for services, in which we bundle the equipment with maintenance and monitoring services, when the equipment is installed in accordance with contractual specifications and ready for the customer's use. The maintenance and monitoring services are recognized monthly over the term of the contract as we provide the services. Long-term contracts are accounted for using the percentage of completion method. We use the completed contract method if we cannot estimate the costs with a reasonable degree of reliability.

Customer activation fees, along with the related costs up to, but not exceeding the activation fees, are deferred and amortized over the customer relationship period.

Maintenance and Repairs

We charge the cost of maintenance and repairs, including the cost of replacing minor items not constituting substantial betterments, to Cost of Services and Sales as these costs are incurred.

Cash and Cash Equivalents

We consider all highly liquid investments with a maturity of 90 days or less when purchased to be cash equivalents, except cash equivalents held as short-term investments. Cash equivalents are stated at cost, which approximates market value.

Short-term Investments

Our short-term investments consist of cash equivalents held in trust to pay for certain employee benefits. Short-term investments are stated at cost, which approximates market value.

Trade and Other Accounts Receivable

Trade and other accounts receivable are stated at the amount we expect to collect. We maintain allowances for uncollectible accounts for estimated losses resulting from the inability of our customers to make required payments. In determining these estimates, we consider historical write-offs and the aging of the receivables, among other factors, such as overall economic conditions.

Material and Supplies

Material and supplies include new and reusable materials which are stated principally at average original cost, except that specific costs are used in the case of large individual items.

Plant and Depreciation

We record plant, property and equipment at cost. Depreciation expense is principally based on the composite group remaining life method and straight-line composite rates. This method provides for the recognition of the cost of the remaining net investment in telephone plant, less anticipated net salvage value, over the remaining asset lives. This method requires the periodic revision of depreciation rates.

Verizon New England Inc.

The asset lives used are presented in the following table:

<u>Average Lives (in years)</u>	
Buildings	25-42
Central office equipment	5-11
Outside communications plant	
Copper cable	13-18
Fiber cable	20
Poles and conduit	30-50
Furniture, vehicles and other	3-15

When we replace or retire depreciable plant used in our wireline network, we deduct the carrying amount of such plant from the respective accounts and charge it to accumulated depreciation.

We capitalize network software purchased or developed in connection with related plant assets. We also capitalize interest associated with the acquisition or construction of plant assets. Capitalized interest is reported as a cost of plant and a reduction in interest cost.

In connection with our ongoing review of the estimated remaining useful lives of plant, property and equipment and associated depreciation rates, we determined that, effective January 1, 2005, the remaining useful lives of three categories of telephone assets would be shortened by 1 to 2 years. These changes in asset lives were based on Verizon's plans, and progress to date on those plans, to deploy fiber optic cable to homes, replacing copper cable. While the timing and extent of current deployment plans are subject to modification, Verizon management believes that current estimates of reductions in impacted asset lives is reasonable and subject to ongoing analysis as deployment of fiber optic lines continues. The asset categories impacted and useful life changes are as follows:

<u>Average Lives (in years)</u>	<u>From</u>	<u>To</u>
Central office equipment		
Digital switches	12	11
Circuit equipment	9	8-9
Outside plant		
Copper cable	15-19	13-18

Impairment of Long-Lived Assets

Our plant, property, and equipment and intangible assets subject to amortization are reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which we adopted effective January 1, 2002. Under SFAS No. 144, these assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment charge is recognized for the amount (if any) by which the carrying value of the asset exceeds its fair value.

Computer Software Costs

We capitalize the cost of internal-use network and non-network software which has a useful life in excess of one year in accordance with Statement of Position (SOP) No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Subsequent additions, modifications or upgrades to internal-use network and non-network software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Software maintenance and training costs are expensed in the period in which they are incurred. Also, we capitalize interest associated with the development of non-network internal-use software. Capitalized non-network internal-use computer software costs are amortized using the straight-line method over a period of 3 to 5 years.

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Goodwill and Other Intangible Assets

Effective January 1, 2002, we adopted SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 no longer permits the amortization of goodwill and indefinite-lived intangible assets. Instead, these assets must be reviewed annually (or more frequently under prescribed conditions) for impairment in accordance with this statement. Intangible assets that do not have indefinite lives are amortized over their useful lives. The adoption of SFAS No. 142 did not impact our results of operations or financial position because we had no goodwill or indefinite-lived intangible assets at December 31, 2005 and 2004.

Our other intangible assets consist of non-network internal-use software as follows:

	At December 31, 2005		(dollars in millions) At December 31, 2004	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Non-network internal-use software (3 to 5 years)	\$ 148	\$ 109	\$ 180	\$ 119

Intangible asset amortization expense was \$22 million in 2005 and \$30 million in 2004. Amortization expense is estimated to be \$19 million in 2006, \$12 million in 2007, \$7 million in 2008, \$1 million in 2009 and \$--- in 2010 related to our non-network internal-use software.

Advertising Costs

We expense advertising costs as they are incurred.

Stock-Based Compensation

We participate in employee compensation plans sponsored by Verizon with awards of Verizon common stock. The structure of Verizon's stock incentive plans does not provide for the separate determination of certain disclosures for our company. The required information is provided on a consolidated basis in Verizon's Annual Report on Form 10-K for the year ended December 31, 2005.

Prior to 2003, Verizon accounted for stock-based employee compensation under Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations, and followed the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation."

Effective January 1, 2003, Verizon adopted the fair value recognition provisions of SFAS No. 123, using the prospective method (as permitted under SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure") to all new awards granted, modified or settled after January 1, 2003. Under the prospective method, employee compensation expense in the first year will be recognized for new awards granted, modified, or settled. The options generally vest over a term of three years, therefore the expenses related to stock-based employee compensation included in the determination of net income for 2005 and 2004 are less than what would have been recorded if the fair value method was also applied to previously issued awards.

The effect on net income if the fair value method had been applied to all outstanding and unvested options in 2005 and 2004 was not material.

After-tax compensation expense for other stock-based compensation included in net income as reported for the years ended December 31, 2005 and 2004 was not material.

For additional information on assumptions used to determine the pro forma amounts as well as other information related to our stock-based compensation plans, see Verizon's Annual Report on Form 10-K for the year ended December 31, 2005.

Employee Benefit Plans

We participate in the Verizon benefit plans. Under these plans, pension and postretirement health care and life insurance benefits earned during the year as well as interest on projected benefit obligations are accrued currently. Prior service costs and credits resulting from changes in plan benefits are amortized over the average remaining service period of the employees expected to receive benefits.

In December 2005, we announced that Verizon management employees will no longer earn pension benefits or earn service towards the company retiree medical subsidy after June 30, 2006. In addition, new management employees hired after December 31, 2005 are not eligible for pension benefits and managers with less than 13.5 years of service as of June 30, 2006 are not eligible for company-subsidized retiree healthcare or retiree life insurance benefits. Beginning July 1, 2006, management employees will receive an increased company match on their savings plan contributions. See Note 6 for additional information.

Income Taxes

Verizon and its domestic subsidiaries, including us, file a consolidated federal income tax return. We participate in a tax sharing agreement with Verizon and remit tax payments to Verizon based on the respective tax liability on a separate company basis. Current and deferred tax expense is determined by applying the provisions of SFAS No. 109, "Accounting for Income Taxes," to each subsidiary as if it were a separate taxpayer.

We use the deferral method of accounting for investment tax credits earned prior to the repeal of investment tax credits by the Tax Reform Act of 1986. We also defer certain transitional credits earned after the repeal. We amortize these credits over the estimated service lives of the related assets as a reduction to the Provision for income taxes.

Derivative Instruments

We employ risk management strategies to manage our exposure to fluctuations in interest rates. We do not hold derivatives for trading purposes.

In accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and related amendments and interpretations, we measure all derivatives, including derivatives embedded in other financial instruments, at fair value and recognize them as either assets or liabilities on our balance sheets. Changes in the fair values of derivative instruments not qualifying as hedges or any ineffective portion of hedges are recognized in earnings in the current period. Changes in the fair values of derivative instruments used effectively as fair value hedges are recognized in earnings, along with changes in the fair value of the hedged item. Changes in the fair value of the effective portions of cash flow hedges are reported in other comprehensive income (loss), and recognized in earnings when the hedged item is recognized in earnings.

Recent Accounting Pronouncements

Stock-Based Compensation

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123(R), "Share-Based Payment," which revises SFAS No. 123. SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized as compensation expense based on their fair value. Effective January 1, 2003, Verizon adopted the fair value recognition provisions of SFAS No. 123. Verizon plans to adopt SFAS No. 123(R) effective January 1, 2006, using the modified prospective method and we expect that any impact will not be material on our results of operations or financial position.

Verizon New England Inc.

2. PLANT, PROPERTY AND EQUIPMENT

The following table displays the details of plant, property and equipment, which is stated at cost:

At December 31,	(dollars in millions)	
	2005	2004
Land	\$ 37	\$ 37
Buildings	1,122	1,107
Central office equipment	7,785	7,866
Outside communications plant	7,725	7,401
Furniture, vehicles and other work equipment	747	748
Construction-in-progress	236	204
Other	180	242
	17,832	17,605
Accumulated depreciation	(11,686)	(11,222)
Total	\$ 6,146	\$ 6,383

3. LEASES

We lease certain facilities and equipment for use in our operations under both capital and operating leases. We did not incur any initial capital lease obligations in 2005 and 2004.

Capital lease amounts included in plant, property and equipment are as follows:

At December 31,	(dollars in millions)	
	2005	2004
Capital leases	\$ 5	\$ 1
Accumulated amortization	---	---
Total	\$ 5	\$ 1

Total rent expense amounted to \$200 million in 2005 and \$208 million in 2004. Of these amounts, \$128 million in 2005 and \$134 million in 2004 were lease payments to affiliated companies for land and buildings.

This table displays the aggregate minimum rental commitments under noncancelable leases for the periods shown at December 31, 2005:

Years	(dollars in millions)	
	Capital Leases	Operating Leases
2006	\$ 1	\$ 44
2007	1	40
2008	1	33
2009	1	30
2010	1	23
Thereafter	2	23
Total minimum rental commitments	7	\$ 193
Less interest and executory costs	(3)	
Present value of minimum lease payments	4	
Less current installments	---	
Long-term obligation at December 31, 2005	\$ 4	

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4. DEBT

Debt Maturing Within One Year

Debt maturing within one year consists of the following at December 31:

	(dollars in millions)	
	2005	2004
Note payable to affiliate (VNFC)	\$ 470	\$ 168
Long-term debt maturing within one year	1	---
Total debt maturing within one year	<u>\$ 471</u>	<u>\$ 168</u>
Weighted average interest rate for notes payable outstanding at year-end	4.39%	2.2%

We have a contractual agreement with an affiliated company, Verizon Network Funding Corp. (VNFC), for the provision of financing and cash management services.

Long-Term Debt

Long-term debt consists principally of debentures and notes that we have issued. Interest rates and maturities of the amounts outstanding are as follows at December 31:

	(dollars in millions)			
Description	Interest Rate	Maturity	2005	2004
Ten year debenture	6 1/2%	2011	\$ 1,026	\$ 1,045
Ten year debenture	4 3/4	2013	300	300
Thirty year debenture	6 7/8	2023	---	250
Forty year debenture	7 7/8	2029	349	349
Forty year debenture	7	2042	480	480
Seven year note payable	7.65	2007	125	125
Ten year note payable	5 7/8	2009	200	200
			<u>2,480</u>	<u>2,749</u>
Other – long-term debt	8	2011	3	3
Unamortized discount and premium, net			(4)	(7)
Note payable with affiliate (VNSHI)	4.91	2009	220	220
Capital lease obligations - average rate 19.36% and 6.5%			4	1
Total long-term debt, including current maturities			<u>2,703</u>	<u>2,966</u>
Less maturing within one year			(1)	---
Total long-term debt			<u>\$ 2,702</u>	<u>\$ 2,966</u>

The aggregate principal amount of bonds and debentures that may be issued is subject to the restrictions and provisions of our indentures. None of the securities shown above were held in sinking or other special funds or pledged by us. Debt discounts on our outstanding long-term debt are amortized over the lives of the respective issues.

We are in compliance with all of our debt covenants.

During the third quarter of 2005, we redeemed the entire outstanding principal amount of our \$250 million 6 7/8% debentures due on October 1, 2023. We recorded a pretax loss of \$10 million to other income and (expense), net due to this redemption.

On January 30, 2004, we issued a \$220 million promissory note to an affiliated company Verizon NSI Holdings Inc. (VNSHI). The note matures on January 30, 2009 and carries a floating interest rate priced at 3 month LIBOR plus 37bps, reset and paid quarterly.

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Maturities of long-term debt outstanding at December 31, 2005, excluding capital lease obligations and unamortized discount and premium are as follows:

Years	(dollars in millions)
2006	\$ ---
2007	125
2008	---
2009	420
2010	---
Thereafter	2,158
Total long-term debt outstanding	\$ 2,703

5. FINANCIAL INSTRUMENTS

Derivatives

The ongoing effect of SFAS No. 133 and related amendments and interpretations on our financial statements will be determined each quarter by several factors, including the specific hedging instruments in place and their relationships to hedged items, as well as market conditions at the end of each period. For the years ended December 31, 2005 and December 31, 2004, the mark to market of our interest rate swaps did not have a material effect on our results of operations or financial position.

We have entered into domestic interest rate swaps to achieve a targeted mix of fixed and variable rate debt. These swaps hedge against changes in the fair value of our debt portfolio. We record the interest rate swaps at fair value in our balance sheet as assets and liabilities and adjust debt for the change in its fair value due to changes in interest rates.

The counterparties to the interest rate swap agreements are major financial institutions. These financial institutions have been accorded high ratings by primary rating agencies. We limit the dollar amount of contracts entered into with any one financial institution and monitor the credit ratings of these counterparties. We generally do not give or receive collateral on an interest rate swap agreement due to our credit rating and those of our counterparties. While we may be exposed to credit losses due to the nonperformance of our counterparties, we consider the risk remote and do not expect the settlement of these transactions to have a material effect on our results of operations or financial position.

Concentrations of Credit Risk

Financial instruments that subject us to concentrations of credit risk consist primarily of short-term investments, trade receivables and interest rate swap agreements. Concentrations of credit risk with respect to trade receivables, other than those from AT&T, are limited due to the large number of customers. We generated revenues from services provided to AT&T (primarily network access and billing and collection) of \$205 million in 2005 and \$226 million in 2004.

Fair Values of Financial Instruments

The table below provides additional information about our material financial instruments at December 31:

Financial Instrument	Valuation Method			
Note payable to affiliate (VNFC) and short-term investments	Carrying amounts			
Debt and interest rate swaps (excluding capital leases)	Future cash flows discounted at current rates			
	(dollars in millions)			
	2005		2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Debt, interest rate swaps and notes payable to affiliates	\$ 3,144	\$ 3,194	\$ 3,088	\$ 3,262

6. EMPLOYEE BENEFITS

Verizon New England Inc.

We participate in Verizon's benefit plans. Verizon maintains noncontributory defined benefit pension plans for many of our management and associate employees. The postretirement health care and life insurance plans for our retirees and their dependents are both contributory and noncontributory and include a limit on the company's share of cost for recent and future retirees. We also sponsor defined contribution savings plans to provide opportunities for eligible employees to save for retirement on a tax-deferred basis. We use a measurement date of December 31 for our pension and postretirement health care and life insurance plans.

In December 2005, Verizon announced that Verizon management employees will no longer earn pension benefits or earn service towards the company retiree medical subsidy after June 30, 2006. In addition, new management employees hired after December 31, 2005 are not eligible for pension benefits and managers with less than 13.5 years of service as of June 30, 2006 are not eligible for company-subsidized retiree healthcare or retiree life insurance benefits. Beginning July 1, 2006, management employees will receive an increased company match on their savings plan contributions.

The structure of Verizon's benefit plans does not provide for the separate determination of certain disclosures for our company. The required information is provided on a consolidated basis in Verizon's Annual Report on Form 10-K for the year ended December 31, 2005.

Pension and Other Postretirement Benefits

Pension and other postretirement benefits for the majority of our employees are subject to collective bargaining agreements. Approximately 86% of our employees (associates) are covered by collective bargaining agreements. Modifications in benefits have been bargained from time to time, and Verizon may also periodically amend the benefits in the management plans.

Benefit Cost

Years ended December 31,	(dollars in millions)			
	Pension		Health Care and Life	
	2005	2004	2005	2004
Net periodic benefit (income) cost	\$ 1	\$ (2)	\$ 283	\$ 233
Settlement loss (gain)	---	35	---	---
Curtailement loss (gain)	36	---	(23)	---
Subtotal	36	35	(23)	---
Total (income) cost	\$ 37	\$ 33	\$ 260	\$ 233

In 2005 as a result of our announcement regarding management retiree benefits, we recorded expense of \$36 million for pension curtailments and income of \$23 million for retiree medical curtailments. We recorded pension settlement losses of \$35 million in 2004 as lump-sum payments exceeded the threshold of service and interest costs. The settlement and curtailment of pension and retiree medical obligations are recorded in accordance with SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Pension Plans and for Termination Benefits" and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions."

Amounts recognized in the balance sheets at December 31 consist of:

	(dollars in millions)			
	Pension		Health Care and Life	
	2005	2004	2005	2004
Prepaid pension asset	\$102	\$101	\$ ---	\$ ---
Employee benefit obligations	641	784	1,201	1,108
Other assets	140	139	---	---
Accumulated other comprehensive loss	295	362	---	---

The changes in the employee benefit asset and obligations from year to year were caused by a number of factors, including changes in actuarial assumptions (see Assumptions), curtailments and settlements.

We evaluate each pension plan to determine whether any additional minimum liability is required. As a result of changes in interest rates and investment returns, an adjustment to the additional minimum pension liability was required for the

Verizon New England Inc.

North Associate Plan. The adjustment in the liability is recorded as a charge or (credit) to Accumulated Other Comprehensive Loss, net of tax, in shareowners' investment in the consolidated balance sheets.

	(dollars in millions)	
	Pension	
Years ended December 31,	2005	2004
Increase (decrease) in minimum liability included in other comprehensive income (loss), before tax	\$ (67)	\$ 123

Assumptions

The actuarial assumptions used are based on market interest rates, past experience, and management's best estimate of future economic conditions. Changes in these assumptions may impact future benefit costs and obligations.

The weighted-average assumptions used in determining benefit obligations at December 31,

	Pension		Health Care and Life	
	2005	2004	2005	2004
Discount rate	5.75%	5.75%	5.75%	5.75%
Rate of future increases in compensation	4.00	5.00	4.00	4.00

The weighted-average assumptions used in determining net periodic cost for years ended December 31,

	Pension		Health Care and Life	
	2005	2004	2005	2004
Discount rate	5.75%	6.25%	5.75%	6.25%
Expected return on plan assets	8.50	8.50	7.75	8.50
Rate of compensation increase	5.00	5.00	4.00	4.00

In order to project the long-term target investment return for the total portfolio, estimates are prepared for the total return of each major asset class over the subsequent 10-year period, or longer. Those estimates are based on a combination of factors including the following: current market interest rates and valuation levels, consensus earnings expectations, historical long-term risk premiums and value-added. To determine the aggregate return for the pension trust, the projected return of each individual asset class is then weighted according to the allocation to that investment area in the Trust's long-term asset allocation policy.

The assumed health care cost trend rates at December 31,

	Health Care and Life	
	2005	2004
Health care cost trend rate assumed for next year	10.00%	10.00%
Rate to which cost trend rate gradually declines	5.00%	5.00%
Year the rate reaches level it is assumed to remain thereafter	2010	2009

Savings Plans and Employee Stock Ownership Plans

Substantially all of our employees are eligible to participate in savings plans maintained by Verizon. Verizon maintains four leveraged employee stock ownership plans (ESOPs) for its management employees. The final debt service payments and related share allocations for two of our leveraged ESOPs were made in 2004. Under these plans, a certain percentage of eligible employee contributions are matched with shares of Verizon's common stock. We recognize savings plan cost based on our matching obligation attributed to our participating employees. In addition to the ESOPs, Verizon also maintains a savings plan for associate employees. We recorded total savings plan costs of \$34 million in 2005 and \$34 million in 2004.

Severance Benefits

We maintain ongoing severance plans for both management and associate employees, which provide benefits to employees that are terminated. The costs for these plans are accounted for under SFAS No. 112, "Employers' Accounting for Postemployment Benefits—an amendment of FASB Statements No. 5 and 43." We accrue for severance benefits based on

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the terms of our severance plan over the estimated service periods of the employees. The accruals are also based on the historical run-rate of actual severances and expectations for future severances.

The following table provides an analysis of our severance liability:

	(dollars in millions)				
<u>Year</u>	<u>Beginning of Year</u>	<u>Charged to Expense (a)</u>	<u>Payments</u>	<u>Other (b)</u>	<u>End of Year</u>
2004	\$ 154	\$ (3)	\$ (85)	\$ ---	\$ 66
2005	66	5	(33)	---	38

- (a) Includes accruals for ongoing employee severance costs and special charges of \$3 million in 2005.
- (b) Includes amounts reallocated to other Verizon affiliates. From time to time, Verizon must redistribute across its subsidiaries the amount of severance liability based on actual experience at the companies.

The remaining severance liability includes future contractual payments to employees separated as of the end of the year.

7. INCOME TAXES

The components of income tax expense (benefit) are presented in the following table:

	(dollars in millions)	
<u>Years ended December 31,</u>	<u>2005</u>	<u>2004</u>
Current:		
Federal	\$ 96	\$ (98)
State and local	18	4
	<u>114</u>	<u>(94)</u>
Deferred:		
Federal	(64)	130
State and local	(9)	16
	<u>(73)</u>	<u>146</u>
Investment tax credits	(1)	(2)
Total income tax expense (benefit)	<u>\$ 40</u>	<u>\$ 50</u>

The following table shows the primary reasons for the difference between the effective income tax rate and the statutory federal income tax rate:

<u>Years ended December 31,</u>	<u>2005</u>	<u>2004</u>
Statutory federal income tax rate	35.0%	35.0%
State income taxes, net of federal tax benefits	3.6	6.5
Investment tax credits	(.6)	(.5)
Equity investments	(5.2)	(10.6)
Other, net	(7.0)	(4.6)
Effective income tax rate	<u>25.8%</u>	<u>25.8%</u>

Deferred taxes arise because of differences in the book and tax bases of certain assets and liabilities. Significant components of deferred tax (assets) liabilities are shown in the following table:

	(dollars in millions)	
<u>At December 31,</u>	<u>2005</u>	<u>2004</u>
Depreciation	\$ 1,197	\$ 1,277
Employee benefits	(621)	(675)
Allowance for uncollectible accounts	(42)	(60)
Investment tax credits	(7)	(8)
Other, net	<u>(5)</u>	<u>34</u>

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Net deferred tax liability \$ 522 \$ 568

Employee benefits include \$488 million deferred tax asset at December 31, 2005 and \$466 million at December 31, 2004, related to postretirement benefit costs recognized under SFAS No. 106. This deferred tax asset will gradually be realized over the estimated lives of current retirees and employees.

8. TRANSACTIONS WITH AFFILIATES

Our financial statements include transactions with the following affiliates:

Years Ended December 31,	(dollars in millions)	
	2005	2004
Operating revenues:		
Verizon Internet Services Inc.	\$ 244	\$ 151
Verizon Wireless Inc.	43	36
Verizon Long Distance	50	48
Verizon Global Networks Inc.	54	52
Verizon Services	26	20
Verizon Operating Telephone Companies	2	2
Other	7	6
	<u>\$ 426</u>	<u>\$ 315</u>
Operating expenses:		
Verizon Services	\$ 814	\$ 821
Verizon Data Services Inc.	52	58
Verizon Advanced Data Inc.	---	12
Verizon Wireless Inc.	2	3
Verizon Operating Telephone Companies	3	2
Other	2	3
	<u>\$ 873</u>	<u>\$ 899</u>
Other income and (expense), net:		
Equity income (loss) from investees	\$ 23	\$ 59
Interest income from Verizon Services	2	---
	<u>\$ 25</u>	<u>\$ 59</u>
Interest expense:		
Interest expense to Verizon Network Funding Corp.	\$ 9	\$ 3
Interest expense to Verizon NSI Holdings Inc.	8	4
	<u>\$ 17</u>	<u>\$ 7</u>
Capital contribution from NYNEX	\$ 111	\$ ---
Return of capital to NYNEX	162	301
Dividends paid to NYNEX	60	137
Dividends received from affiliates	31	37

Outstanding balances with affiliates are reported on the balance sheets at December 31, 2005 and 2004 as Accounts Receivable - Affiliates, Note Payable to Affiliate, Accounts Payable and Accrued Liabilities - Affiliates and Long - term Debt - Note Payable to Affiliate.

Verizon Services

Our operating revenues include transactions with Verizon Services (including Verizon Services Corp., Verizon Services Group and Verizon Corporate Services Group Inc.) for the provision of local telephone service and for the rental of facilities and equipment.

We have contractual arrangements with Verizon Services for the provision of various centralized services. These services are divided into two broad categories. The first category is comprised of network related services which generally benefit

Verizon New England Inc.

only Verizon's operating telephone subsidiaries. These services include marketing, sales, legal, accounting, finance, data processing, materials management, procurement, labor relations, and staff support for various network operations. The second category is comprised of overhead and support services which generally benefit all subsidiaries of Verizon. Such services include corporate governance, corporate finance, external affairs, legal, media relations, employee communications, corporate advertising, human resources, and treasury. Costs may be either directly assigned to one subsidiary or allocated to more than one subsidiary based on functional reviews of the work performed.

Verizon Internet Services Inc.

Our operating revenues include transactions with Verizon Internet Services Inc. (Verizon Internet Services) associated with the provision of network access and billing and collection services. These revenues are earned from Verizon Internet Services who utilizes our facilities to provide Internet access services to their customers.

Verizon Wireless Inc.

Our operating revenues include transactions with Verizon Wireless Inc. (Verizon Wireless) associated with the provision of local and network access services, billing and collection services and from interconnection agreements. These revenues are earned from Verizon Wireless who provides wireless voice and data services, paging services and equipment sales to their customers.

Our operating expenses also include transactions with Verizon Wireless. We recognize costs associated with wireless voice and data services, paging services and for interconnection agreements.

Verizon Long Distance

Our operating revenues include transactions with Verizon Long Distance who utilizes our facilities to provide long distance services to their customers. We record revenue in connection with the provision of billing and collection services, including programming charges associated with billing system changes.

Verizon Global Networks Inc.

Our operating revenues include transactions with Verizon Global Networks Inc. (Global Networks) associated with the provision of network access services. These revenues are earned from Global Networks who utilizes our facilities to provide access and data transport services to their customers.

Verizon Operating Telephone Companies

Our operating revenues and expenses include transactions with other Verizon Operating Telephone Companies. Revenues associated with transactions with these affiliates are primarily earned from the rental of our facilities and equipment. We also earn revenue from fees associated with the termination of their customer's calls on our network. In addition, we also recognize expenses associated with transactions with these affiliates. These costs are primarily associated with the rental of their facilities and equipment.

Verizon Advanced Data Inc.

In 2004, we had a contractual arrangement with Verizon Advanced Data Inc. for the provision of various centralized services associated with advanced data services. These services were divided into two broad categories. The first category comprised of network related services which included provisioning, maintenance, engineering, and data processing for various network operations. The second category was comprised of overhead and support services which included finance, human resources, treasury, procurement, marketing, sales, and support staffs. The costs were allocated based on advanced data services revenues.

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Verizon Data Services Inc.

Verizon Data Services Inc. provides data processing services, software application development and maintenance, which generally benefit Verizon's operating telephone subsidiaries, including us. We are charged for these affiliated transactions based on proportional cost allocation methodologies.

Verizon Network Funding Corp. and Verizon NSI Holdings Inc.

We recognize interest expense/income in connection with a contractual agreement with an affiliated company, Verizon Network Funding Corp. (VNFC), for the provision of short-term financing and cash management services. VNFC issues commercial paper and obtains bank loans to fund the working capital requirements of Verizon's network services subsidiaries, including us, and invests funds in temporary investments on their behalf. We also recognized interest expense related to a promissory note held by Verizon NSI Holdings Inc.

Other Affiliates

Other operating revenues and expenses include miscellaneous items of income and expense resulting from transactions with other affiliates. These transactions include the provision of local and network access services, billing and collection services, rental of facilities and equipment, electronic repair services, and sales and purchases of material and supplies. We also earn fees from an affiliate for usage of our directory listings.

9. ADDITIONAL FINANCIAL INFORMATION

The tables below provide additional financial information related to our financial statements:

Years ended December 31,	(dollars in millions)	
	2005	2004
Statements of Cash Flows:		
Cash paid (refunded) during the year for:		
Income taxes, net of amounts refunded	\$ 175	\$ (236)
Interest, net of amounts capitalized	156	155
Statements of Income:		
Interest expense incurred	184	171
Capitalized interest	(12)	(6)
Advertising expense	19	22
Depreciation expense	982	1,035

Advertising expense includes \$19 million in 2005 and \$22 million in 2004 allocated to us by Verizon Services.

10. STRATEGIC ACTIONS

During the third quarter of 2005, we redeemed the entire outstanding principal amount of our \$250 million 6 7/8% debentures due on October 1, 2023. We recorded a pretax loss of \$10 million to other income and (expense), net due to this redemption.

In the second quarter of 2004, we recorded a pretax expense credit of \$30.0 million resulting from the favorable resolution of pre-bankruptcy amounts due from MCI, Inc. Previously reached settlement agreements became fully effective when MCI emerged from bankruptcy proceedings in the second quarter of 2004.

11. COMMITMENTS AND CONTINGENCIES

Various legal actions and regulatory proceedings are pending to which we are a party and claims which, if asserted, may lead to other legal actions. We have established reserves for specific liabilities in connection with regulatory and legal matters that we currently deem to be probable and estimable. We do not expect that the ultimate resolution of pending regulatory and legal matters in future periods will have a material effect on our financial condition, but it could have a material effect on our results of operations.

From time to time, state regulatory decisions require us to assure customers that we will provide a level of service performance that falls within prescribed parameters. There are penalties associated with failing to meet those service parameters and we, from time to time, pay such penalties. We do not expect these penalties to have a material effect on our financial condition, but they could have a material effect on our results of operations.

12. SUBSEQUENT EVENTS

On February 1, 2006, we returned capital in the amount of \$17 million to our parent, NYNEX.